CONFIRMATIONS.

Executive nominations confirmed by the Senate July 26 (legislative day of April 20), 1922.

RECEIVER OF PUBLIC MONEYS.

Charles Henry Lutz to be receiver of public moneys, Roswell, N. Mex.

POSTMASTERS.

INDIANA.

John E. Ward, Gas City.

MISSOURI.

John T. Garner, Carrollton.
Charles E. Bedell, Hale.
George E. Richars, Lilbourn.

MONTANA.

John J. Pietila, Roberts.

NEW YORK.

Maurice M. Parker, Deferiet.
Harry M. Barrett, Mahopac.

OKLAHOMA.

Joseph C. Eversole, Grandfield.
Warden F. Rollins, Noble.

VIRGINIA.

Lula E. Northington, Lacrosse.

WISCONSIN.

Lyle H. Nolop, Alma Center.
Joseph R. Frost, Avoca.
Grant E. Denison, Carrollville.
Floyd B. Hesler, Glenbeulah.
William H. Ware, Loganville.
Fred J. Marty, New Glarus.

REJECTION.

Executive nomination rejected by the Senate July 26 (legislative day of April 20), 1922.

POSTMASTER.

Washington H. Carlisle to be postmaster at Alexander City, Ala.

SENATE.

THURSDAY, *July 27, 1922.*

(Legislative day of Thursday, April 20, 1922.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

AMENDMENTS OF THE SILK SCHEDULE.

Mr. McCUMBER. Mr. President, the Committee on Finance have gone over the silk schedule and propose to offer a number of amendments to it. In order that they may be printed and lie on the table so that Senators may have a chance to examine them, I ask that an order to that effect may be made.

The VICE PRESIDENT. Without objection, it is so ordered.

HOSPITALIZATION OF DISABLED EX-SERVICE MEN.

Mr. WALSH of Massachusetts. Mr. President, I ask that there may be printed in the RECORD in 8-point type a letter from Mr. A. A. Sprague, chairman of the American Legion's national rehabilitation committee, addressed to Brig. Gen. Charles E. Sawyer. The letter is a protest on the part of the representatives of the American Legion against the delay in the building of new hospitals under recent appropriations by Congress, and asserts that unnecessary and harmful results will follow. I regret that the tariff bill debate prevents my discussing this situation. Evidently the rehabilitation committee of the Legion is desirous that the construction of these hospitals be proceeded with without further delay and desires the backing of Congress and public opinion in order to get action.

There being no objection, the letter was ordered to be printed in the RECORD in 8-point type, as follows:

"CHICAGO, July 24.—A. A. Sprague, of Chicago, acting officially for the American Legion as its chairman of the Legion's national rehabilitation committee, has written to Brig. Gen. Charles E. Sawyer, President Harding's personal physician, sending a copy to President Harding for his information, requesting General Sawyer to 'stand aside and allow the program of the Veterans' Bureau to go into effect at once.'

"The request is in answer to a recent letter of General Sawyer, who was appointed by Harding from Marion, Ohio. General Sawyer, as chief coordinator of the Federal Board of Hospitalization, is accused of obstructing a prepared program, thereby injuring thousands of mentally sick war veterans maintained in contract hospitals away from their homes and friends against the advice and national program agreed upon by the Director of the Veterans' Bureau of Washington, a board of neuropsychiatrists, and the Legion.

"General Sawyer's recent letter is declared to be 'one of the explanations of a policy of interference, shameful delays, and neglect,' and a statement in the Sawyer letter that 'few are there, indeed, who have particular concern in the disabled war veteran,' is called an indictment of every American citizen. The letter from Sprague to General Sawyer and President Harding follows:

LETTER TO GENERAL SAWYER.

"'Your letter to me of July 12 presents certain statements and conclusions regarding the Government's care of sick and disabled service men, which it is imperative that the American Legion should answer without delay or equivocation.

"'You say: "Up to the present the whole subject of the World War veterans has been one largely of sentiment by many people. A year and a half ago, when I came to my office in Washington, there were not minutes enough in the day to give attention to the people who were here sympathizing with the World War veteran and wanting to do something special for him. To-day the story is very different. Few are there, indeed, who have particular concern."

"'I maintain that the first interest of every citizen of this country, as it is the first purpose of the American Legion, is to secure the fairest and best treatment possible for our men and women who are suffering from services rendered to our country under the colors in war.

INDICTMENT OF EVERY AMERICAN.

"'Your assumption that "few are there, indeed, who have particular concern" with the disabled World War veteran is an indictment of every American citizen, to which each must respond for himself. It ignores the positive, continuous efforts of the American Legion, which have never stopped, no matter how disheartening the results. While your statement is a revelation of your own analysis of the country's attitude, it is also one of the explanations of a policy of interference, shameful delays, and neglect of men and women to whom this country can not give too much, nor deal with too fairly, nor can they afford to have it truthfully said that they have violated their solemnly given promises and pledges.

"'You also say: "I am opposed to the domination of people outside of the Government forces in this matter. I regard and will always regard with the greatest respect the opinions of any who may have opinions to offer and they will all be considered when occasion demands, but if the Government is to be influenced by outside organizations, associations, or specialists' committees, we will continue to be in trouble."

"'Your opposition to the Government being influenced "by outside organizations, associations, or specialists' committees" exists in spite of the fact that every bit of legislation now in effect for the disabled veteran was put through Congress by the American Legion. It was in correction of miserable neglect.

STILL FAILS TO ACHIEVE.

"'It still fails to achieve for the veteran what the country desires he should have. This failure, we are convinced, is not due to the interference of organizations which are seeking honest, constructive cooperation with the Government, but to the constant injection of obstacles to the program as agreed upon, such as your failure to understand and interpret it in a helpful manner. These programs have been arranged at conferences between representatives of the Legion and those who are actually charged with the responsibility of administering this care, and the best group of medical consultants in this country.

"'The policy of the American Legion has always been one of constructive criticism and of close and hearty cooperation with the Government. Our effort has been directed toward a centralized, unified, responsible Government bureau. By legislation such a body has been created in the Veterans' Bureau. We are giving this body our fullest support and with increasing confidence that if not interfered with by the other Government agencies, it will do the work satisfactorily.

"'A national program for the hospital care of service men who are suffering with mental and nervous diseases was agreed upon between the Director of the Veterans' Bureau, the Board of Neuro-Psychiatrists, who are recognized leaders in this country, and the American Legion.

DISTRESSING DELAYS.

"'This program was decided upon after long delays, which have been distressing to the Legion but still more distressing to thousands of men who might have been cured, but who are now doomed to a life of mental darkness.

"'In every district of the United States the largest and most pathetic problem is the care of these men who are mentally sick. They can not speak for themselves. We intend to speak for them until their needs are fairly met.

"'This program is now being curtailed and delayed. The beds for nervous and mental patients have already been reduced 1,270 from the 3,800 beds to be provided by that program. When we remember that these recommendations were based upon money available and not upon needs, and that in several districts the total number of beds would be unquestionably filled by patients now in unsuitable contract institutions, we claim that such a reduction is absolutely inconsistent with an honest attempt to provide permanent cure for this class of patients.

"'You say in your letter to me: "Because the Langley bill has given us these millions of dollars, not mandatory, thank Heaven, to use, let us be careful in the disposition of it so that finally those who are now charged with the responsibility of laying the foundation for this great proposition be given credit, with due sense and careful regard of the interests of the general public for, after all, this same soldiery and their progeny are to be the ones who must pay for what is given now."

MORAL MANDATE IN BILL.

"'If there ever was a bill which carried a moral mandate to the Government it was the second Langley bill. You will remember that the Legion fought to have the money appropriated under this bill awarded to the Veterans' Bureau. We won in this fight. It was a fight against your effort, against your appeal, to have this money awarded to the Federal Board of Hospitalization, of which you are chief coordinator. We were disgusted with the delays in the former appropriation of $18,600,000. We did not want similar delays in the expenditure of this new appropriation. The purpose of the bill and the expenditure to be made were clearly and definitely set forth in the preliminary hearings of the committees and in the report of Congressman MADDEN, for the Committee on Appropriations, to the House. They include 1,060 beds for tuberculosis, 3,800 beds for neuropsychiatrics, and 600 beds for general and medical hospitals.

"'As a business man, and aware of the opinion of business men of this country, as well as that of the Legion, I want to state that there has never been shown any disposition on the part of the American people to economize at the expense of the real heroes of the war. The president of one of the largest business organizations in America wrote me:

PRESENT SYSTEM CRUEL.

"'"I have yet to come in contact with a man or woman who is not in full sympathy with providing the best that the land affords for disabled veterans. Mental disability is the most distressing of all, and to house victims of shell shock with men who are crippled is cruelty, in my opinion. I am strongly inclined to think that there isn't a business man or a business institution in the country, of any size, that would not contribute generously to any plan that would insure the boys who "went over the top" receiving what they have earned—the best possible treatment."

"'I am confident that the future citizen is far more liable to condemn failure to provide the best possible care than he is to complain if better provision than was ever made before is made for these men.

"'Your statement "that the peak of hospitalization has been passed and that there are now 10,000 beds vacant in Government institutions, * * * that we have hospitals enough except in two particular districts," is not only misleading, but will tend to cause the American public to be satisfied with treatment which is unsatisfactory.

PEAK TO BE IN 1926.

"'The experts of the country have repeatedly set up that the peak of hospitalization will not be reached until 1926. You have stated that these hospitals will not be long needed. Sir, they are needed now—the question of the length of time does not enter into the problem any more than it did when we set up hospitals at the front. They were needed. That fact alone was considered. Without a whimper we appropriated $3,000,000,000 at the end of the war to discharge uncompleted contracts, scrapping temporary structures right and left. Is the disabled men's treatment alone to be given a parsimonious supervision?

"'The American Legion for four years has been trying to secure real medical care in Government-owned hospitals for the mental and nervous wreckage of this war. For the first time, several months ago—in the passage of the Langley bill—we felt that the victory had been won and that an adequate hospital program would be put through with speed. To-day over 4,500 mental cases are still in contract institutions, and of the remaining 4,714 only 3,500 are in hospitals entirely devoted to their attention and cure. When you say that there are hospitals enough and beds to spare you unwittingly strike at the most defenseless and yet most important group we have in our hospitals—namely, those who are in contract institutions and who will have to remain there unless proper hospitals are constructed. If this is not done soon, the attempt to cure these men will be futile—many of them are now past help and will be subject to custodial care for the rest of their lives.

PROPER CARE IS URGED.

"'The American Legion is whole-heartedly against the suggestion that any arrangement will do for the mentally and nervously sick. It is true that they have been shoved into overcrowded State institutions where the majority of the patients are dying, demented old people, or in general hospitals where only a partial temporary care can be given them.

"'Is it too much to ask the Government of the United States to put the 10,000 mentally and nervously disabled service men in hospitals owned and operated by the Government? These hospitals are not now in existence. The fact that there are 1,600 beds available for tubercular patients in the southwest of the country has little or nothing to do with the proper hospitalization of these mental and nervous veterans for whom the Legion is now appealing.

"'These men should be hospitalized as near their own homes as possible. I do not agree with your statement made before the congressional committee that "after 25 years' experience I should say that location as regards one's family is of no importance." I do not believe it, because I know the men who have been hospitalized too well, and I know how their families feel about it, and I know that their contentment and the encouragement of their friends is often the chief factor in their return to health and strength.

NO WAR EXPERIENCE.

"'I recognize the fact that before becoming chief coordinator of the Federal Board of Hospitalization you had no contact with the men and women who were serving in the Army and Navy during the war, and no experience either in the field or in Government service that would give you a chance to really know how men feel who lose their nerve, their health, and their minds in their devotion to duty, or how their families look upon these men who went out in the strength of their youth to invest their life in their Nation's service.

"'Those of us who served with them know that these men, many of whom have been hospitalized long periods, need the encouragement of their families and friends, and that encouragement is one of the chief factors in their restoration and cure. This is particularly true of the type for whom we are now asking the Government to provide hospitals.

"'It is almost unbelievable that, having satisfied Congress that these hospitals were needed and that they should be built to capacity, we now have to reply to your statement that they are unnecessary. Sir, ask the boys in the contract asylums and their families, ask the men whose nerves have been shattered by this war, who have suffered for the lack of adequate hospitalization, ask the thousands or tens of thousands of people throughout the United States who no longer come to your office in Washington but who are seeking for hospitals nearer home for those whom they have loved but have given to their country.

BEST CARE DEMANDED.

"'The reply of the American Legion and of every real American is "Give these men the best care that medical science can provide in Government institutions maintained at the highest standard of equipment and administration—and near to their own homes so that if rehabilitated they can be returned to civil life with greater ease, and if doomed to a life of hospitalization they can be near those whom they love best."

"'Four years have already passed and the veteran is not yet provided for. A belated program is now being held up and changed. It is being changed to meet your approval.

"'I appeal to you, sir, to stand aside and allow this program of the Veterans' Bureau to go into effect and at once.'"

Mr. WILLIS subsequently said: Mr. President, this morning the Senator from Massachusetts [Mr. WALSH] has inserted in the RECORD certain criticisms or charges relative to the work

of Gen. C. E. Sawyer, in connection with the hospitalization of veterans of the World War. I think it only fair that the statement which Doctor Sawyer has issued in reply to those criticisms should appear in the RECORD following the statement that was inserted by the Senator from Massachusetts.

I therefore ask unanimous consent that Doctor Sawyer's statement appear in the RECORD in 8-point type just following the insertion that was made at the request of the Senator from Massachusetts. We all desire to get the facts.

Mr. WALSH of Massachusetts. Mr. President, of course, there is no objection. It is perfectly proper that the letter should be inserted in the RECORD. What I had printed in the RECORD was not a statement but was a letter from the chairman of the rehabilitation committee of the American Legion. It is very proper, however, that the reply or communication of General Sawyer should also appear in the RECORD.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

To the public:

Answering A. A. Sprague's charges that Brig. Gen. C. E. Sawyer is delaying and obstructing hospitalization, the following testimony is presented:

NEW YORK, N. Y., *June 21.*

Brig. Gen. CHARLES E. SAWYER,
12 Drake Hotel, Chicago, Ill.:

American Legion officials in statement to N. E. A. Service make charges that you are responsible for delay in hospitalization program for disabled soldiers. They also question your eligibility, because of age limit, for your Army post. N. E. A. Service offers you opportunity to answer charges. Will you wire us 100 or 200 words, press rate, collect?

FRANK RYAN,
Editor, N. E. A. Service,
461 Eighth Avenue, New York.

—

SPRAGUE'S ANSWER.

JUNE 21, 1922.

Mr. FRANK RYAN,
461 Eighth Avenue, New York City, N. Y.:

General Sawyer has shown me your telegram. I have been as closely in touch as any one individual with the hospital program for disabled ex-service men and I know and state here that the charge that the general has delayed the hospital program is false. The latter part of the charge is too trivial and futile to answer. General Sawyer has given much valuable advice and assistance to this work, and I am sure that misinformation and ignorance of facts are responsible for this ridiculous and unfortunate statement.

A. A. SPRAGUE,
Chairman National Rehabilitation
Committee of the American Legion.

(Copy to General Sawyer.)

The American public should know the hospital situation as it really exists at the present time and they will then be able to determine whether or not the United States Government is making effort to take care of its disabled World War veterans, and whether or not the charges by Sprague as set forth in the Associated Press reports are just.

At present under Government control and operation there are in the United States of America 99 Government hospitals with a capacity of 28,412 beds, 10,191 of which are at the present time unoccupied.

The White committee has supplied and turned over to the Veterans' Bureau 2,386 beds and will have provided in its completed program 6,169 beds.

The Veterans' Bureau has under the process of construction at the present time 3,500 additional beds which have already been located and work commenced.

The 99 Government hospitals, with a total bed capacity of 28,412 patients, including the 10,191 unoccupied beds, are distributed throughout the United States and are all now operated upon a standardized plan of service which guarantees the very best of hospital treatment which can be provided.

There is engaged in this hospital service a personnel of about one attendant to each patient. In this personnel are men and women of the highest type of scientific, professional, and medical rehabilitation skill, working daily for the promotion of the interests of those who by the vicissitudes of war become incompetent.

When the hospitalization plan of the Government for the care of the ex-service men shall have been completed as now contemplated—and which is being hurried to early completion—it will represent in all of the departments a total expenditure of approximately $800,000,000.

These facts certainly show that the United States Government is doing every consistent thing possible for the disabled veterans, and for the length of time at its disposal everything has been achieved which human agency could accomplish.

It is the determination of the present administration to give to the disabled World War veterans the very best of hospital service that can possibly be provided, and it shall be my constant effort and my policy to proceed with reason, efficiency, and economy in carrying out such of its affairs as come to the attention of the Federal Board of Hospitalization. From this position I will not be forced, cajoled, or stampeded.

STATISTICS, FIGURES, AND FACTS RELATIVE TO THE CARE AND TREATMENT OF WORLD WAR VETERANS.

(By Brig. Gen. Charles E. Sawyer, Chief Coordinator Federal Board of Hospitalization.)

The following reports from the Veterans' Bureau, the Treasury Department, and the Federal Board of Hospitalization give such detailed account of affairs at present existing relative to the subject of World War veteran hospitalization that I submit them in full for careful consideration.

Data taken from the report of the Veterans' Bureau under date of June 15, 1922, reveal the following facts:

The Government now has under its own control and operation 99 hospitals, providing 28,412 beds, 10,093 of which are unoccupied at the present time. Since February the number of unoccupied beds has been increasing at the rate of 250 per month, indicating beyond doubt that the peak of hospitalization has been reached.

That there may be no errors in figures presented, a complete list of all Government owned and operated hospitals is given herewith. This list shows department to which hospitals belong, number of beds available in each, and the number of beds occupied and unoccupied in each. At the end of the list appears a diagrammatic illustration of the class of patients they serve, which speaks for itself:

Location.	Beds available.		Total.
	Occupied.	Unoccupied.	
UNITED STATES VETERANS' BUREAU.			
Boston, Mass.	317	149	466
Sterling Junction, Mass.	35	13	53
West Roxbury, Mass.	214	14	228
Bronx, N. Y.	297	39	336
New Haven, Conn.	439	48	487
Philadelphia, Pa.	369	33	402
Fort McHenry, Md.	387	404	791
Perryville, Md.	191	232	423
Washington, D. C.	205	20	225
Atlanta, Ga.	70	35	105
Augusta, Ga.	247	3	250
Biltmore, N. C.	191	145	336
Oteen, N. C.	675	411	1,086
Greenville, S. C.	352	342	694
Lake City, Fla.	114	113	227
Mobile, Ala.	34	20	54
New Orleans, La.	190	6	196
Alexandria, La.	498	.....	498
Gulfport, Miss.	118	39	157
Fort Thomas, Ky.	143	2	145
Dawsonsprings, Ky.	245	101	346
Chillicothe, Ohio.	9	30	39
Chicago, Ill.	530	92	622
Dwight, Ill.	141	79	220
Maywood, Ill.	739	178	917
Waukesha, Wis.	180	59	239
Kansas City, Mo.	123	2	125
St. Louis, Mo.	403	243	646
Colfax, Iowa.	120	81	201
Knoxville, Iowa.	173	.....	173
Minneapolis, Minn.	193	134	327
St. Paul, Minn.	173	164	337
Helena, Mont.	124	32	156
Fort Bayard, N. Mex.	697	396	1,093
Las Animas, Colo.	297	402	699
Fort McKenzie, Wyo.	.....	100	100
Arrowhead Springs, Calif.	151	1	152
Camp Kearney, Calif.	259	247	506
Palo Alto, Calif.	360	222	582
Prescott, Ariz.	577	171	748
Tucson, Ariz.	156	92	248
Tacoma, Wash.	227	59	286
Walla Walla, Wash.	171	41	212
Boise, Idaho.	71	39	130
Portland, Oreg.	48	52	100
Houston, Tex.	449	220	669
North Little Rock, Ark.	153	86	239
Total.	11,855	5,416	17,271

Location.	Beds available.		Total.
	Occupied.	Unoccupied.	
UNITED STATES PUBLIC HEALTH SERVICE.			
Boston, Mass	5	18	23
Vineyard Haven, Mass	.....	13	13
Portland, Me	18	1	19
Buffalo, N. Y	14	16	30
Stapleton, N. Y	13	88	101
New York, N. Y	2	4	6
Pittsburgh, Pa	26	31	31
Tanners Creek, Va	.....	31	31
Savannah, Ga	45	22	67
Key West, Fla	3	25	28
Memphis, Tenn	32	36	68
New Orleans, La	85	92	177
Mobile, Ala	15	.....	15
Carville, La	5	.....	5
Evansville, Ind	43	.....	43
Cleveland, Ohio	33	37	70
Louisville, Ky	43	8	51
Chicago, Ill	9	.....	9
Detroit, Mich	51	3	54
St. Louis, Mo	.....	15	15
San Francisco, Calif	39	36	75
Port Townsend, Wash	25	6	31
Total	506	466	972
ARMY.			
Washington, D. C	390	360	750
Denver, Colo	862	331	1,193
San Francisco, Calif	66	351	417
El Paso, Tex	151	63	214
San Antonio, Tex	210	90	300
Hot Springs, Ark	69	81	15
Chelsea, Mass	72	468	540
Portsmouth, N. H	13	204	217
Newport, R. I	19	247	266
Brooklyn, N. Y	208	192	400
League Island, Pa	108	142	250
Washington, D. C	85	165	250
Norfolk, Va	72	28	100
Charleston, S. C	4	213	217
Key West, Fla	.....	40	40
Pensacola, Fla	2	25	25
Great Lakes, Ill	289	361	650
Mare Island, Calif	17	.....	17
San Diego, Calif	12	.....	12
Total	2,667	3,341	6,007
SOLDIERS' HOMES.			
Togus, Me	5	178	183
Hampton, Va	18	7	25
Johnson City, Tenn	659	193	852
Dayton, Ohio	520	98	618
Marion, Ind	681	74	755
Danville, Ill	12	.....	12
Milwaukee, Wis	155	33	188
Leavenworth, Kans	7	184	191
Hot Springs, S. Dak	84	76	160
Los Angeles, Calif	292	7	299
Total	2,433	850	3,283
Washington, D. C	878	.....	878
Total	878	.....	878
Grand total	18,319	10,093	28,412

The following report of the White committee shows in detail just what is being done with the $18,000,000 allotted the Treasury by the first Langley bill.

Through the White committee 6,169 beds are being added to the Government-owned list; 2,096 of these are all occupied or are ready for immediate occupancy; and just as soon as it is humanly possible to complete the balance of them they will be turned over to the Veterans' Bureau.

To Brigadier General Charles E. Sawyer, from consultants on hospitalization.

Bed space ready.

U. S. V. H. No. 63, Lake City, Fla.: Two hospital units completed and opened ..... T. B.. 100

U. S. V. H. No. 50, Whipple Barracks, Ariz.: Project completed ..... T. B.. 422

Prov. Hospital No. 2, Little Rock, Ark. (Fort Logan H. Roots): Project completed and opened ..... N. P.. 257

U. S. V. H. No. 42, Perryville, Md.: Construction practically completed; movable equipment at the site. Doubtless will be ready to open within two weeks. Capacity, 300 beds N. P.

Prov. Hospital No. 2, Fort Walla Walla, Wash.: Project completed and opened ..... T. B.. 165

Bed space ready.

U. S. V. H. No. 27, Alexandria, La.: Work here consisted of constructing kitchen, mess hall, water supply system, refrigerating plant, etc. Completed.

N. H. D. V. S., Milwaukee, Wis.: Report of June 30—57 per cent completed. To be finished in August. Capacity, 612 T. B.

N. H. D. V. S., Dayton, Ohio: Report of June 30—60 per cent completed. To be finished in August. Capacity, 306 T. B.

N. H. D. V. S., Marion, Ind.: Report of June 30—50 per cent completed. To be finished in August. Capacity, 80 N. P.

Prov. Hospital No. 4, Rutland, Mass.: New work (contract), 77 per cent completed; remodeling (purchase and hire), 98 per cent. Capacity, 220 T. B.

U. S. V. H. No. 62, Augusta, Ga.: 62 per cent completed. Capacity, 265 N. P.

U. S. V. H. No. 55, Fort Bayard, N. Mex.: Complete and dedicated ..... T. B.. 250

U. S. V. H. No. 60, Oteen, N. C.: 33 per cent complete. Capacity, 200 T. B.

Fort McKenzie, Wyo.: Project complete ..... N. P.. 242

U. S. V. H. No. 81, Bronx, N. Y. (total capacity, 1,000 N. P.): 99.5 per cent completed. Already turned over and opened for ..... N. P.. 650

Negro hospital, Tuskegee, Ala.: 12 per cent complete. Capacity, 500 N. P., 500 T. B.

U. S. V. H. No. 24, Palo Alto, Calif.: 22 per cent complete. Capacity, 500 N. P.

Western Pennsylvania: Early decision expected on site. Capacity, 250 T. B.

St. Louis, Mo. (Jefferson Barracks): Bids have been opened this week. Contract to be awarded at once. Capacity, 250 general.

Metropolitan District, N. Y.: Site chosen. Preliminary studies under way. Capacity, 250 T. B.

Total (to which will shortly be added 300 beds at Perryville) 2,086

NOTE.—In a number of instances, in addition to the bed units which have been constructed, it was also necessary, in order to give a working station, to construct various accessory buildings, such as quarters for doctors, nurses, aids, and attendants, vocational training, mess halls, and kitchens, power house, laundry, garage, water supply, sewerage system, extensive roads, etc.

Total number of beds contemplated out of Public Act 384, 6,169.

HOSPITALS TO BE PROVIDED UNDER SECOND LANGLEY BILL, RECOMMENDED BY THE VETERANS' BUREAU AND INDORSED BY THE FEDERAL BOARD OF HOSPITALIZATION.

District Nos.:		Beds.
1. Northampton, Mass	N. P..	400
2. Tupper Lake, N. Y	T. B..	250
5. Memphis, Tenn	Gen..	200
6. Gulfport, Miss	N. P..	350
7. Chillicothe, Ohio	N. P..	400
8. Great Lakes, Ill	N. P..	500
9. Knoxville, Iowa	N. P..	400
10. Location not yet determined	N. P..	350
12. Livermore, Calif	T. B..	400
13. Camp Lewis, Wash	N. P..	250
Total		3,500

Sites and locations for the above have been determined upon and some of the work of construction is already on the way.

RELEVANT FACTS AND GENERAL COMMENTS.

When the present administration assumed the reins of government March 4, 1921, all of the Government hospitals caring for the disabled World War veteran were operating under many disadvantages. Particularly was there lacking cooperation and coordination of the various departments of Government which had to do with this matter.

Realizing the importance of the subject of the World War veteran and being desirous of correcting its deficiencies, the present administration began very early to investigate the subject, with a determination to discover discrepancies and provide relief.

As the first step in the general procedure of clearance and establishment of a proper plan for the care of the disabled soldier, a committee known as the Dawes committee was called

to take under advisement and into consideration affairs as they actually presented themselves at that time.

Careful observation disclosed the fact that the subject presented two definite propositions—first, immediate hospitalization needs; second, a future hospitalization program, with some definite policy for execution.

While the Dawes committee were considering the emergency aspect it was discovered that there were at the command of the Government 12,000 vacant beds in the various departments of the Government which were not being used.

Some of these beds, it is true, were in institutions which were not ideal, but they were the best the Government had at command, and they were offered freely and willingly for the service of the World War veteran, and under ordinary circumstances would have been agreeably accepted by them.

But an antigovernment hospital sentiment was created which made the thought of Army and Navy hospitals displeasing to the veterans. This was due to a propaganda of publicity, which should never have been carried on, for, had a proper sentiment of understanding and of reasonable consideration prevailed in the matter of the hospitalization of the World War veteran, there would never have been and would not be now justifiable complaint as to favorable hospitalization of the afflicted veterans.

The objection made to the use of the then available beds in the Government hospitals—Army and Navy—was a dislike for the Army and Navy discipline.

At the meeting of the Dawes committee it was shown that the Army and Navy both had many available beds, and it was the effort of those concerned that they might be made immediately available as an emergency measure for the care of the men, and because of an effort to afford this assistance to the disabled veterans, which was all the Government had at its command, a propaganda of fault-finding was begun against some of those who were most earnestly trying to solve the difficult problem, and, unfortunately for all concerned, that attitude is still being maintained by those who really do know better but still persist in being unfair.

It was understood then, just as it is now, that a building program for the future involved things which would necessarily and naturally take time and careful consideration in the proper carrying out of the various needs presenting.

The Dawes committee sought to bring about an understanding of the entire hospital situation and to provide immediate means for the care of all of the men at that time, never losing sight of the fact that the bigger and broader and more important subject had to do with a building program for the future which must be undertaken with care and deliberation if it was to be competently and effectively carried out.

In order to exercise proper judgment in this great subject it was necessary to study, first, location; second, available property; and, finally, to in some way get something like a clear conception of what the final needs, so far as hospitalization was concerned, were going to demand.

In contemplating the expenditure of $18,000,000, which at the time of the meeting of the Dawes committee was available, the policy adopted was to appoint a committee of specialists. This resulted in the constituting of the White committee. Such was their deliberation, care, and consideration and action that within a reasonable time this $18,000,000 worth of hospitals will have been completed.

If the last of the projects under the White committee are completed within a period of two years from the time the committee began its operations, the Treasury Department will be entitled to much credit.

The program the White committee laid out involved not only a proper expenditure of $18,000,000 but much of consideration as to fitting locations and other conditions which affect very materially the outcome and usefulness of all the hospitals they are constructing.

It has been charged that representatives of this administration have delayed the progress of the work; that the Architect's office of the Treasury has been slow in carrying out their plans; that there were some who were disposed to curtail the development of the hospital project; but all of those charges are absolutely groundless and ultimately will be known to have been made without due consideration of fact.

As chief of the Federal Board of Hospitalization, prompted by a desire to promote the best interests of the World War veterans' hospitalization which will finally return to the soldier something worth the while, I say without fear of contradiction that everything so far that the Government has had to do with the hospitalization of the World War veterans has been done with earnestness, interest, and enthusiasm; furthermore, as expeditiously, economically, and efficiently as the circumstances and conditions would possibly permit.

The unfortunate part of the whole business was and is that there has been a lack of cooperation between those being served and those serving.

To-day in Government-owned hospitals there are 10,000 beds available that could well be used for the various classes of cases which are now applying, and they would be so used but for the fact that some of the men who claim they require hospitalization will not accept the hospital care that is available, because it is not in their own immediate community or because they have some personal feeling as to the influence of location upon their particular disorder.

As illustration of this, we find that some of the T. B. cases belonging in the Middle West and the metropolitan district have gone to the far West or into northern New York and overcrowded the institutions there. This, too, because of their own personal feeling that they would be better off, while in fact they would be just as well off in their homes.

Again, we find that many of the men suffering from so-called neurotic or psychotic disturbances will not go to the institutions provided because of some personal feeling of their own regarding the locality of the hospital presenting.

As an illustration of this there are to-day at the Great Lakes Naval Training Station 750 beds in splendid buildings as perfectly and thoroughly equipped as are any of the hospitals in the country. Here, too, is a wonderful personnel of experienced, expert specialists, who are ready, willing, and qualified to do everything that science and scientific skill can do for cases of this kind, and yet where 1,000 beds could be provided only 361 are used.

What is true of the naval hospital at the Great Lakes is likewise true of many other institutions. In the city of Washington there are to-day at least 1,236 empty hospital beds which might well be utilized for the treatment of the World War veterans and would be but for the fact that the veteran will not accept the change necessary to utilize the beds available.

It is no more possible or convenient for the Government to provide all of the hospitals that would be asked for than it would be possible for the Government to provide universities and colleges in which to educate our young men if they, too, declined to go where the facilities were provided.

What must finally result will be the establishment by the Government of hospitals in fixed localities, so equipped and operated as to give the very best of attention than can be given, and then the sick soldier or sailor who would avail himself of such treatment must go where he is directed. So soon as this policy has been put into effect, both the troubles of the disabled veteran and the National Government will be overcome. This can be and will be very quickly accomplished if only a proper spirit of education and publicity propaganda is carried on by all concerned.

What we need now is getting together in a spirit of quieting the present unrest, of making the best of what we have, and of getting on to something that will ultimately be what we need.

This being true, it is only reasonable that in the contemplation of the needs of the hospitals for the future, we look the whole subject squarely in the face, wring out of it all sentiment, and deal with it as a matter of fact.

If everybody would look into the administration of hospitalization affairs with constructive intention, carrying out the policies now proclaimed, history will record of those administering these affairs as having had both courage of conviction and a constructive vision, and all will be better off.

If we will be firm and determined to look upon this subject from a business man's standpoint, if we adopt and pursue with care, if we hearken to the direction of individuals who have business sense in the conduct of such matters, ultimately the whole country will say that this administration, in which has been laid the foundation for the care of these veterans of the Government for all the years to come, will have served well. On the other hand, if we are sentimental, improvident, and unmindful of the real facts as they exist we will have failed.

So far as my own observations go, I have never met a single individual who was not anxious, ambitious, and more than ready and willing to do the best that possibly could be done for the promotion of the interests of the hospitalization cause.

It is charged that the Federal Board of Hospitalization has become an obstruction between the Director of the Veterans' Bureau and the quick consummation of the Veterans' Bureau plans.

It seems well here that all should know of whom this Board of Hospitalization consists:

"Maj. Gen. Merritte W. Ireland, Surgeon General United States Army, whose experience in this country and abroad in the building of hospitals and caring for the afflicted soldier is unequaled.

"Rear Admiral E. R. Stitt, Surgeon General of the Navy, who has had long years of experience in the hospitalization of sailors, with years of practical application of hospital principles.

"Gen. George H. Wood, president National Home for Disabled Volunteer Soldiers, whose years of experience in caring for the infirm and afflicted of the Civil War makes him competent and capable and brings to the service of the World War veteran the greatest institutions any nation knows, so far as equipment, location, general surroundings, and economy of operation are concerned.

"Dr. William A. White, who has had charge of the largest single Government institution, St. Elizabeths Hospital, for many years, who knows the needs of the neuropsychiatric subject perfectly.

"Mr. Charles H. Burke, Commissioner of Indian Affairs, who has studied the subject of proper legislation, of legal requirements necessary in all of the cases, and because of his years in the United States Congress and his practical experience in 80 hospitals connected with the Indian Service, is specially qualified to render helpful assistance.

"Surg. Gen. H. S. Cumming, of the United States Public Health Service, who has handled the great subject of caring for all of the public health institutions since the great burden of war liabilities has been resting upon the Government.

"Colonel Forbes, the head of the Veterans' Bureau, who fought his way through the trenches from a lieutenancy to a colonelcy during the late war and who to-day is giving everything there is within him to the promotion of the interests and the welfare of the World War veteran and doing everything that lies within his power to help to bring about the best attention and care that can be provided.

"For myself, Dr. C. E. Sawyer, I have had the experience of living on the ground and in hospitals with the sick and afflicted for a third of a century."

These men are varied in their experience, broad in their views, generous in their disposition, practiced in their professions, and as such I would like to submit to a thinking public whether or not they might justifiably be classed as a capable and worthy body of men with whom to counsel in all matters pertaining to disabled soldier hospitalization and domiciliation.

An emergency and lack of attention have passed. We no longer have any possibility of being reasonably and justly charged with not being able to hospitalize such patients as need Government care. That being true, then it is only sensible that we proceed judiciously and with caution; that we do not do things which ultimately will prove to have been unwise and submit ourselves to the same charge of extreme wastefulness that is now being charged to those having the responsibility for the conduct of the affairs of preparation for the World War.

That experience should be an example for us and should stand as a reasonable and sensible warning against inconsiderate action in the expenditure of the money which finally this same soldier will have to reimburse.

After all, it does not matter as much how many hospitals we have or where they are located as it matters the character of the personnel and the manner in which they are conducted.

The Federal Board of Hospitalization has made that subject one of special study and has created a standardized basis of operation, has fixed a personnel and corps of operators that guarantee to the World War veteran the very best attention that can possibly be given.

If all concerned, and that means every American citizen, were to use their influence in behalf of harmony, in encouragement, in helping to carry out the ideas that are promulgated by those who should know, then we could all proceed with a program that would be harmonious and effective.

So long as there is not absolute need for beds, so long as the Government has at its command places where it can hospitalize all who apply, so long as there are over one-third of all the beds in Government institutions unoccupied, there is certainly no occasion for other construction, or such hurry as to bring about waste and would locate our institutions out of sections in which they really belong and build more than is really necessary.

These are some of the obstructions which have been charged in some of the articles that have recently come to my attention by those decrying the progress of the work.

It is easy indeed for those who only wish to complain and find fault to get blatant evidence supporting their position.

It is not in my heart to charge anyone with deliberate desire to misrepresent facts or conditions relative to this vital and important subject.

I would like to call the attention of those who are in charge of these affairs, who speak for the bodies they claim to represent, who are giving out information which must influence the American citizen generally and particularly our defenders, it is only proper that they be as fair as they would have others be in order that together we may proceed in justice to all.

It is only proper that we deal with this subject as though it were a personal affair. Certainly no business man engaged in the hospital business would think of building large additions to his plant without having prospect of patients to fill them.

Reviewing the subject as best we can from every angle, it is my candid opinion that to-day if the unoccupied beds were used discreetly, if they were occupied as they should be by those who could avail themselves of them, there would be no need of more hospital beds to take care of the sick World War veteran, either now or in the future.

Personally I have but one concern in the matter of hospitalization and that is the concern that every doctor of medicine must have for his patient, which is that the end results shall prove that the attention he gave was efficient and helpful in bringing back into health again in the best way possible those who have been submitted to the necessity of hospital attention.

The charge that there are two men dying every week from suicide because of not having hospital care is ridiculous. If the same men who were in the service could be measured as to their deficiencies and disturbances, if they had not been in the service it would be found that a large percentage would be tubercular, an equal portion of them would have been medical and surgical, and about the same percentage neuropsychiatric.

Melancholia and suicidal disposition is a characteristic of our rapid-going race, and if the records of the past for the same number of men were looked into the same rate of self-destruction would be found to exist as is existing now.

This suicide charge is a senseless, sentimental one, made apparently with no other thought than to act upon the emotion of the public generally. Because of such statements, much unrighteous complaint is made and much unjustifiable criticism is developed.

It is my prediction that—

When the history of the hospitalization of the World War veteran is finally written, dictated as it will be by unbiased opinion, the subject will certainly be presented in a much less garbled and dramatic manner than as at present by those who assume to express Legion opinion. When radical sentiment shall have yielded to sober reflection, present complaints will have been exchanged for expressions of gratitude and praise. Ultimately all of the scenes connected with the subject of World War hospitalization will have been shifted and critical business judgment will rise to compliment that which is now being questionably accepted.

Governed by a definite purpose and a burning desire to build well for the real World War veteran, it shall be my continued determination to seek for and help to deliver to the sick soldier the best of treatment, the most helpful surroundings, and the most effective environment with which he can reestablish himself in the normal, active affairs of a great American Republic.

If I can help to bring some afflicted, halt, or faltering veterans to such a degree of recovery as to make them strong, capable, self-confident, and independent, then I will have been more than compensated for the effect put forth and slander endured.

The unvarnished truth about the hospital matter is that it has been a subject of misrepresentation by some ever since the service man became a subject of governmental concern.

If those who jeer and find fault would encourage and aid, the hospital subject would soon be well on its way to final solution; certainly at least to its physical completion.

If all of the forces interested will unite upon a plan and then go courageously forward to its accomplishment, there will be absolutely no cause for reasonable complaint, and the delays now charged to political influence will be dissipated.

So long as articles appearing in the press shall continue to assume an adverse attitude toward those seeking to help, so long will the afflicted service man be disgruntled. If, on the other hand, the veterans' press, legionnaire, or what not, would support with encouragement any plan which they might help to adopt, it would go forward with expedition and with an effectiveness that would be satisfying to all.

THE MERCHANT MARINE.

Mr. RANSDELL. Mr. President, I ask unanimous consent to have printed in the RECORD, in 8-point type, a 1-page leaflet prepared by Mr. C. A. McAllister, vice president of the American Bureau of Shipping, giving 10 good reasons for the ship subsidy. It is brief and full of meat.

There being no objection, the leaflet was ordered to be printed in the RECORD, as follows:

TEN GOOD REASONS FOR THE SHIP SUBSIDY.

1. World conditions now make sale of goods in competitive foreign markets more difficult than ever. The American farmer, miner, merchant, and mechanic can not compete in selling their excess products abroad unless we have our own delivery system, owned and operated by Americans.

2. A merchant marine is as essential for the national defense as the Navy itself. Without this Government help we will have no merchant marine, hence our means for defense would be crippled one-half. The cost of the entire subsidy will be less each year than the cost of building one modern battleship.

3. We have by sale of Liberty bonds during the war raised and invested over $3,000,000,000 in merchant ships. Without this subsidy these vessels can not be operated at a profit to private owners. Hence they can not be sold, and we face the loss of nearly the entire amount invested. By making ship operations profitable in private ownership the ships can be sold for at least $500,000,000, an amount far in excess of the 10 years' total subsidy. The taxpayer will thereby eventually have his taxes reduced instead of increased.

4. The operation of ships under present Government management has vastly increased our foreign trade. It is, however, costing the taxpayer directly over $50,000,000 per year to make up the losses of Government operation. This amount will be saved almost in toto in placing these ships in private hands by means of the subsidy.

5. Heretofore we have been paying an average of $300,000,000 annually for freight and insurance to foreigners for carrying our goods. This vast amount can mostly be kept in our own borders through the means of the subsidy act. In other words, considering shipping alone, an investment of $1 by the Government will keep $10 at home.

6. The creation of a permanent and efficient merchant marine by means of the subsidy act will furnish additional employment to over 100,000 Americans on board ship, in the shipyards, the steel mills, the iron mines, and in the many other industries which are necessary to build and operate ships for the foreign trade. Every man thus employed must be well fed, and the American farmer will be benefited by raising and selling the food to them and their families.

7. The history of the past is the best guide for the future. No nation in the world's history has been truly great without owning and operating its own naval and merchant vessels. We all aim to make the United States the greatest nation upon which the sun has ever shone. This can not be done unless we encourage our merchant marine.

8. We Americans have the money and the desire for foreign travel. Heretofore we have had to be humiliated by traveling everywhere abroad under alien flags, and seldom, if ever, seeing our flag displayed on the ocean. Our national pride need no longer be offended, as the passage of this bill will place and keep Old Glory on the seas. A citizen without national pride is undesirable and unworthy, is a disgrace to himself and to his country.

9. Without this encouragement to our merchant marine we will build no more ships. We have by international agreement already stopped the building of fighting vessels. Hence, without any work to do, shipbuilding will become in America a lost art. Without shipbuilders and shipbuilding facilities this Nation will be helpless both for commerce and for self-defense—an emasculated giant in the family of nations.

10. Our rivals for the world's trade view with great alarm the prospects of the passage of this bill, and their emissaries, masquerading in many instances as patriotic citizens, are spreading insidious propaganda and doing their utmost to defeat the measure. This is the strongest evidence possible why the bill will benefit America and why it should receive the support of patriotic Americans.

CALL OF THE ROLL.

Mr. HEFLIN. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Colt	Heflin	Lodge
Ball	Culberson	Hitchcock	McCumber
Borah	Curtis	Jones, N. Mex.	McLean
Brandegee	Dial	Jones, Wash.	McNary
Bursum	du Pont	Kellogg	Moses
Calder	Ernst	Kendrick	Nelson
Cameron	Gooding	Keyes	New
Capper	Hale	Ladd	Newberry
Caraway	Harreld	Lenroot	Nicholson
Norbeck	Sheppard	Swanson	Watson, Ind.
Pepper	Simmons	Trammell	Willis
Phipps	Smith	Walsh, Mass.	
Ransdell	Smoot	Warren	
Robinson	Spencer	Watson, Ga.	

The PRESIDING OFFICER (Mr. SPENCER in the chair). Fifty-three Senators having answered to their names, there is a quorum present.

PETITIONS AND MEMORIALS.

Mr. NELSON presented a resolution adopted by the Bar Association of the first judicial division of the Territory of Alaska protesting against the passage of the bill (H. R. 11905) to provide for the establishment of the Supreme Court for the Territory of Alaska, imposing additional duties on the district judges, which was referred to the Committee on the Judiciary.

Mr. CAPPER presented resolutions adopted by the McPherson (Kans.) Chamber of Commerce, favoring enforcement of the United States Supreme Court decree directing the divorcement of the Central Pacific Railway from the Southern Pacific Co., which were referred to the Committee on Interstate Commerce.

Mr. WILLIS presented the petition of William J. Bauer, president, and sundry other members of the Merchant Tailors' Exchange, of the city of Cincinnati, Ohio, praying for inclusion in the pending tariff bill of a flat duty of 100 per cent ad valorem on manufactured woolen clothing, eliminating specific or weight duties, which was referred to the Committee on Finance.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. MCNARY (for Mr. JOHNSON):

A bill (S. 3870) granting a pension to William Roach; and

A bill (S. 3871) granting an increase of pension to William Kenny; to the Committee on Pensions.

By Mr. ASHURST:

A bill (S. 3872) granting an increase of pension to Richmond Bridges; to the Committee on Pensions.

TARIFF BILL AMENDMENT.

Mr. JONES of New Mexico submitted an amendment intended to be proposed by him to House bill 7456, the tariff bill, which was ordered to lie on the table and to be printed.

THURSTON W. TRUE.

Mr. SMITH. Mr. President, I ask unanimous consent for the present consideration of the bill (S. 2984) for the relief of Thurston W. True. It is a bill that has been reported favorably, with an amendment, from the Committee on Claims. It is a claim that has been carried over for three or four years, and I would like to get the matter settled now if possible. I wish to make just a brief statement with reference to the purpose of the bill.

The land in question was land the owner of which was notified in 1918 to vacate for the Government, which he did. He vacated and was out of possession of his premises for a year. The time lapsed under the law for him to make his claim to the land. The Secretary of War has stated that it is a worthy claim.

There seems to have been a committee appointed, or the regular local appraising committee, which met with Mr. True, and they agreed, according to his understanding, that they would make a cash settlement of a certain amount. His understanding was that he agreed to the cash settlement. He has put in a claim for eleven hundred and some odd dollars. He agreed with the local appraisers, but they did not pay, and three years have gone by. In view of the fact that prompt cash settlement, as he understood it, has not been made and as the time has passed, nearly four years having gone by since the Government took possession of the property, he now asks that he be allowed the remainder of his claim, some $300. The total amount for which the claimant asked was $1,135. The War Department recommended the payment of $794, but the Secretary of War in his report to the Committee on Claims says:

> While this report of the local examining board was not reviewed by the War Department board of appraisers, there is no reason for assuming that the recommendation was not adequate.

That shows that the reviewing board did not make an examination of the matter. I desire to move to amend the amendment reported to the bill by the committee, if I may have unanimous consent for the consideration of the bill.

The PRESIDING OFFICER. Unanimous consent for the present consideration of Senate bill 2984 is asked by the Senator from South Carolina.

Mr. CURTIS. Let the bill be read in order that we may understand what it is.

The PRESIDING OFFICER. The Secretary will read the bill.

The bill (S. 2984) for the relief of Thurston W. True was read, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay to Thurston W. True, of Columbia, S. C., the sum of $1,135, out of any money in the Treasury not otherwise appropriated, in full satisfaction of all claims for damages against the United States arising out of the vacating by such Thurston W. True of his premises for several months during the war against Germany, in compliance with an order issued under authority of the War Department that such premises were to be used by the United States Government for a military camp.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. McCUMBER. Before agreeing to unanimous consent, I desire to ascertain what amendment to the bill the Senator from South Carolina proposes. Does the Senator seek to change the amount of compensation which is proposed to be allowed the claimant by the bill as reported by the committee?

Mr. SMITH. The compensation which was asked for when the bill was introduced was $1,135, but along in 1919 a compromise was agreed upon, as I understand, that the claim should be settled by a cash payment to the claimant of $794. The claimant signed for that, but he never has heard anything more in reference to the matter. The War Department has stated that it is a just claim.

Mr. McCUMBER. The committee reports in favor of the payment of $794. That being true, it seems to me if the amount is to be changed, the bill should be recommitted to the Committee on Claims, in order that they may reconsider it. It does not seem as though we should take up the time of the Senate now in considering an amendment which is in opposition to the report of the committee.

Mr. SMITH. I should like to have the member of the committee who reported the bill make a statement with reference to it. The bill was reported by the senior Senator from Arkansas [Mr. ROBINSON].

Mr. ROBINSON. Mr. President, this claim would have been cognizable under the act of March 2, 1919, providing for the payment of damages resulting from notice of intention by the Government to acquire land, but for the fact that it was not presented within the time limitation fixed in the statute. As has been stated by the Senator from South Carolina, an award, however, was made by the board which was appointed by the War Department to investigate the claim. The board found the amount due the claimant to be $794. The claimant had applied for $1,135. The items embraced in his claim were for rent, for damage to land by the removal of timber and other property from it, also the cost of moving some property off the place, and two or three small items which the committee did not think were allowable. Those items, however, I repeat, were only for small sums.

In view of the fact that the board made this award after an investigation, the committee thought it best to report the amount found due by the board. However, I will say that there is some question as to what is the correct amount. I do not think the claim is fully sustained for quite all of the items, though the evidence might sustain an increase above the amount reported by the committee. The committee took the view that the award of the board should be sustained.

Mr. SMITH. I wish to call the Senator's attention to the statement of Secretary Weeks, in which he says:

While this report of the local examining board was not reviewed by the War Department Board of Appraisers there is no reason for assuming that the recommendation was not adequate.

It is evident, and I think the Senator will agree with me, that the understanding was that the $794 which Mr. True said he would accept at the time should be promptly paid, but it has not yet been paid. It was recommended to be paid, but three years have gone by and he has not yet received any compensation. After the award, it seems as though a prompt payment would have been due, but the payment has not been made even of the amount agreed upon.

Mr. ROBINSON. There is no question in my mind but that the Government owes this claimant at least the amount of the award. The War Department held at the time the claim was presented that there was no legal liability for rent of land except that which had actually been possessed and used by the Government; but there was no question as to the right of the claimant to recover the amount of the award.

Mr. McCUMBER. Mr. President, it does seem to me that the committee at least ought to have a chance to reconsider the matter before it is brought into the Senate, if there is a disagreement between the committee and what the Senator desires.

Mr. ROBINSON. I think the bill can be disposed of in a few moments. Here is the statement by one of the members of the board:

Q. How did the local board arrive at $794 in settlement of his claim for $1,135?—A. We allowed $534 on his first two items.

For the first two items the claim was $820.

The second item of rent—that is, the appraised rental valuation for a year—and I can not come across any evidence that he was notified. I am supposed to have notified these people five of us went out, but I don't know who should have seen him. In April I undertook to write a personal letter to each claimant in the area, and I have copies of the letters, but I fail to find this gentleman's name in the files. On his third item we allowed $195 instead of $250. I looked over this place and found about 65 cords removed, and the balance are the same.

That is the testimony of a member of a board who made the investigation upon which the finding of $794 was based.

Mr. SMITH. The officer who testified said that he did not notify the claimant in this case along with other claimants; so it seems as if the dereliction, if there was any, was on the part of the board.

Mr. ROBINSON. He said he could not find where he had notified the claimant.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. McCUMBER. Mr. President, I will not make any objection if the Senator can settle the matter right away.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill.

Mr. ROBINSON. Mr. President, I will make this statement: The claimant agreed to accept $794 in settlement of his claim. Of course, that was with the understanding that it was to be paid promptly. The board, however, afterwards found, for the reasons which I have stated, that it had no power to settle.

The amount in controversy between the committee and the Senator from South Carolina is very small, and the difference grows out of the facts which I have stated. The board made an award and the claimant agreed to accept it, with the understanding that it should be promptly paid. The board afterwards discovered that they had no power to pay it at that time. So the claim came to Congress.

Mr. SMOOT. The bill as reported by the committee carries $794.

Mr. ROBINSON. The committee, under the circumstances, recommended the amount of the award, which amount the claimant agreed to accept, the committee taking the view of the matter, as there was some dispute as to the items which were eliminated by the board and the claimant having agreed to accept that amount, although it was neither his fault nor the board's fault that the award was not promptly paid, the amount of the award should govern. I am inclined to think that the Senator from South Carolina should be satisfied with the sum recommended by the committee.

Mr. SMITH. Mr. President, the only point that I make—and then I will allow the measure to come to a vote and have nothing further to say about it—is that the understanding of the claimant was that there would be a prompt payment. He was a poor man and owned the one hundred and some odd acres of land. The Government notified him to get off and he got off, and he stayed off for a year; he was deprived of the use of the rental and proceeds of his farm, and now for three years no settlement has been made, and no settlement could be made except upon the recommendation of the War Department. The War Department recommends that the claim should be paid, but the claimant says that in view of the circumstances he ought to be allowed the amount which he claimed.

I shall offer an amendment, Mr. President, and let the Senate vote upon it. If the amendment shall not be adopted after my statement, I shall accept the judgment of the Senate. The interest on the amount for three years would really entitle him to an increase over the amount recommended.

Mr. ROBINSON. Mr. President, I suggest to the Senator from South Carolina that I think the evidence would sustain an award of $1,000. I do not know how the chairman of the committee feels, but I am inclined to support an amendment increasing the amount to $1,000, and I think the testimony shows that such an award is justified.

Mr. SMITH. I will accept that. I move to amend the amendment of the committee in line 5 by striking out "$794" and inserting "$1,000."

The PRESIDING OFFICER. The question is upon the amendment of the Senator from South Carolina to the amendment reported by the committee, which will be stated.

The READING CLERK. On line 5, after the words "sum of," it is proposed by the committee to strike out "$1,135," and in

lieu thereof to insert "$794." That amendment the Senator from South Carolina proposes to amend by striking out "$794" and inserting "$1,000."

Mr. CAPPER. Mr. President, I wish to call the attention of the Senator to the statement made by Colonel Bell, a member of the board, which appears on the last page of the report and which gives the reason why the full amount was not allowed. He says:

Items 5, 6, and 7 could only be allowed if it were shown that this damage was done by soldiers or agents of the Government. The evidence does not show this to be a fact, and it is recommended that these items be disallowed.

Mr. ROBINSON. If the Senator will pardon me, those items were $2, $10, and $3, respectively. I referred to that. They would only make a difference of $15 in the amount of the claim.

Mr. SMITH. That is true.

Mr. ROBINSON. Items 2 and 3 were for $200 and $250, respectively, and as stated by the member of the board, item 3, for $250, was reduced by the board to $195. The testimony would support a finding of $1,000, but it would not support a finding of $1,135.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from South Carolina to the amendment reported by the committee.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The bill was reported to the Senate as amended and the amendment was concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

SOUTHERN PACIFIC AND CENTRAL PACIFIC RAILWAYS.

Mr. HITCHCOCK. Mr. President, I ask to have inserted in the RECORD a resolution adopted by the Nebraska State Railway Commission protesting against any action by Congress or any action by the Interstate Commerce Commission which would tend to nullify or modify the recent decision of the Supreme Court of the United States divorcing the Central Pacific Railway from the Southern Pacific Railway, and then I ask that the resolution may be referred to the Committee on Interstate Commerce.

There being no objection, the resolution was ordered to be printed in the RECORD and referred to the Committee on Interstate Commerce, as follows:

Resolution of the Nebraska State Railway Commission of the State of Nebraska.

Whereas the Supreme Court of the United States has recently ordered and decreed that the Southern Pacific Railway Co. divest itself of its interests in and control over the Central Pacific Railway Co., the short-line Pacific coast connection from the great central Mississippi Valley; and

Whereas it is of vast importance to the State of Nebraska that the free flow of commerce from west to east seek its natural route over the great railway routes which connect directly with the eastern terminus of the Central Pacific and cross Nebraska, instead of being forced over the circuitous southern route of the Southern Pacific; and

Whereas the decision of the high court makes possible again renewed traffic between east and west over its short-line route through this State: Therefore

The Nebraska State Railway Commission urges that Congress should give no heed to efforts to secure legislation which would approve previous arrangements in restraint of free flow of traffic that the court has said violates the Sherman Act; we respectfully suggest that when the Interstate Commerce Commission considers the matter of railroad consolidations it give grave attention to the normal transcontinental connections east and west of Ogden already embodied in the tentative plan of consolidation; and we direct that copies of this resolution be sent to the Members of Congress from Nebraska.

[SEAL.] NEBRASKA STATE RAILWAY COMMISSION,
H. G. TAYLOR,
THORNE A. BROWNE,
H. L. COOK,
Commissioners.

Dated at Lincoln, Nebr., this 14th day of July, 1922.

I do hereby certify that the above and foregoing is a true and correct copy of a resolution passed by the Nebraska State Railway Commission of the State of Nebraska at its meeting on the 14th day of July, 1922, the original of which is now on file in this office.

JOHN E. CURTISS, *Secretary.*

Mr. HITCHCOCK. I also ask to have referred to the Committee on Interstate Commerce a resolution of similar tenor adopted by the Valley Commercial Club of Nebraska.

There being no objection, the resolution was referred to the Committee on Interstate Commerce.

INDUSTRIAL CONDITIONS.

Mr. WILLIS. Out of order I ask unanimous consent to present a resolution in the nature of a petition adopted by the Westerville Chamber of Commerce referring to the present industrial situation. I ask that the resolution be printed in the RECORD without reading.

There being no objection, the resolution was ordered printed in the RECORD as follows:

THE WESTERVILLE CHAMBER OF COMMERCE,
Westerville, Ohio, July 24, 1922.

Resolutions adopted by the Westerville Chamber of Commerce.

Whereas one of the first duties of a government is to uphold law and order and protect the life and property of its citizens; and

Whereas, whenever such protection is not rendered, conditions arise similar to those now prevailing in Russia; and

Whereas in various parts of our great country law and order are openly defied and United States citizens vauntingly murdered and property vauntingly destroyed; and

Whereas it is apparent that no earnest attempt has been made by various State and local authorities to bring the murderers and incendiaries to justice: Therefore be it

Resolved, That we, citizens of the State of Ohio and of the United States of America, do hereby appeal to the President of the United States of America that the strong arm of the law be applied as well to those who have openly broken law and order as also to those officers who deliberately shirk their duties which their oaths of office require them to perform;

Whereas, whatever the merits of the disputes between the striking railroad men and their employers may be, the people through their Government have created a Labor Board in which both the contending parties and the public have all three each equal representation to settle such disputes in a fair and lawful manner without recourse to ruinous conflicts like the present: Therefore be it

Resolved, That we herewith petition Congress to provide authority and power to said Government board to enforce its decrees.

Whereas in time of public danger the Executive should be assured of the support of good citizens: Therefore be it

Resolved, That we commend President Harding for his fair and courageous stand in behalf of justice in the face of tremendous difficulties. We appeal to every law-abiding citizen to uphold the hands of the President in his firm determination to preserve law and order and to insure equity between employer and employee and to insure the well-being and happiness of the public.

A true copy.

GUSTAV MEYER,
President of Westerville Chamber of Commerce.
CHAS. R. BENNETT, *Secretary.*

READMISSION OF ALIENS.

Mr. McCORMICK. Out of order, I ask unanimous consent to introduce a joint resolution; and if there be no objection—and I anticipate none—I should like to ask for the immediate consideration of the joint resolution by unanimous consent, as it touches a matter that is somewhat urgent.

Mr. SMOOT. Let it be read.

The joint resolution (S. J. Res. 233) extending the operation of joint resolution of October 19, 1918, and excepting certain aliens from the operation of the quota law, was read the first time by its title, and the second time at length, as follows:

Resolved, etc., That the operation of the joint resolution of October 19, 1918, entitled "Joint resolution authorizing the readmission to the United States of certain aliens who have been conscripted or have volunteered for service with the military forces of the United States or cobelligerent forces" shall not be held to limit the application for readmission to one year after the termination of the war of aliens lawfully resident in the United States who during such residence enlisted or were recruited in America for the Polish Army in France, created by virtue of a decree issued by the French Government and recruited in this country under express permission of the War Department and who by the limitation of application to one year after the termination of the war can not now apply for readmission under the joint resolution of October 19, 1918, and such aliens shall, if otherwise entitled to admission under the said joint resolution, be readmitted to the United States if application for readmission is made and the alien is readmitted within the period of two years from March 3, 1921.

SEC. 2. That all aliens entitled to readmission into the United States under the provisions of this joint resolution, together with their wives and children under the age of 18 admissible under the provisions of the immigration laws, and all aliens who while lawfully resident in the United States were recruited or enlisted for service in the Polish Army in France and who return to the United States on or before March 3, 1923, and are found to be admissible under the immigration laws, together with their wives and children under the age of 18 admissible under the provisions of the immigration laws, shall be exempt from the operation of the act of May 19, 1921, entitled "An act to limit the immigration of aliens into the United States," as amended and extended by the act approved May 11, 1922, and from the operation of the head tax provisions of the immigration act of February 5, 1917, and they shall not be counted in reckoning any of the percentage limits provided by the act of May 19, 1921, as amended and extended by the act of May 11, 1922.

Mr. WALSH of Massachusetts. Mr. President, will the Senator state briefly just what the joint resolution provides for?

Mr. McCORMICK. The joint resolution, in brief, extends the terms of the so-called Sabath resolution to some 1,200 men enlisted in Haller's army in 1918, but who have been held on the Bolshevik front until this time. The Senator will recall that at the beginning of the war between the United States and the central empires some thousands of foreigners resident in this country, many of them Italians and many of them Poles, were enlisted in foreign armies under the terms of agreements between our Government and the allied Governments. Provision was made by the Sabath resolution for the return of the men so enlisted during the period stipulated by that resolution. It fell out that after the invasion of Poland by the red armies, and their repulse, a few of these men were

compelled to continue on the Bolshevik front of Poland. It has only been possible within the last few weeks to secure their discharge and permission for them to return to the United States. They are about to sail from Danzig to the United States.

The PRESIDING OFFICER (Mr. JONES of Washington in the chair). The Chair thinks the joint resolution ought to go to the committee and be reported by the committee. Being a joint resolution, it can not pass both Houses until after the 15th of August, and that will give ample time. The Chair may have no objection to it, but thinks it ought to go to the committee, and will therefore object to its present consideration. It will be referred to the Committee on Immigration.

Mr. McCORMICK. Of course, if the Chair insists, it will go there; but I may say that I have submitted the joint resolution to the members of the Committee on Immigration.

The PRESIDING OFFICER. The Chair anticipates that they can report it very promptly.

Mr. WALSH of Massachusetts. Of course, the joint resolution has much merit.

The PRESIDING OFFICER. Yes; the Chair thinks so himself.

Mr. WALSH of Massachusetts. But I think it is a very bad precedent to come in and introduce and ask for the consideration of a bill or a joint resolution without having it take the ordinary course of going through the committee.

Mr. McCORMICK. I ask for its reference, then.

Mr. WALSH of Massachusetts. I believe the joint resolution has very much merit and ought to be passed.

The PRESIDING OFFICER. The joint resolution will be referred to the Committee on Immigration.

DEFLATION POLICY OF THE FEDERAL RESERVE BOARD.

Mr. HEFLIN. Mr. President, I have here two letters from the former Comptroller of the Currency, Hon. John Skelton Williams, addressed to myself, and attached to those letters some comments by Mr. Williams upon certain statements and acts of certain Federal bank officials, and also some correspondence had between the Comptroller of the Currency and the governor of the Federal Reserve Bank of Atlanta. This includes some correspondence between Governor Harding and the governor of the Federal Reserve Bank of Atlanta. I ask unanimous consent to have them printed in the RECORD in 8-point type.

There being no objection, the matter referred to was ordered to the printed in the RECORD in 8-point type, as follows:

PROOF THAT 87½ PER CENT INTEREST RATE WAS CHARGED.

RICHMOND, VA., *July 25, 1922.*

Hon. J. THOMAS HEFLIN, *Washington.*

DEAR SENATOR HEFLIN: It is not surprising that some Members of the Senate should find it hard to believe the grave charges which have been made against the administration of our Federal reserve system. It does seem incredible that the system could in so short a time have been so prostituted and diverted from the high purposes and uses for which it was organized, but unfortunately these serious charges of "favoritism," "extravagance," and "extortion" have been completely proven.

When you stated on the floor of the Senate some time ago that a Federal reserve bank had actually exacted from a small country bank in a time of need interest as high as 87½ per cent per annum, your assertion was questioned by one of the Senators from New York, who seemed to regard it as impossible that a Federal reserve bank should ever have charged an interest rate more than six times as great as was ever charged by any Government bank in any other country on earth, and he asked you what proof you could offer that such an exaction had been made.

I am fortunately in a position to furnish you the proof, and I hand you with this a copy of a letter which I received under date of February 23, 1921, from Governor Harding, of the Federal Reserve Board, addressed to me, in which he incloses a copy of a letter of Governor Wellborn, of the Federal Reserve Bank of Atlanta, dated February 21, 1921, giving details of loans aggregating $112,446, made to a country bank in Alabama between September 16 and September 30, 1920, upon which the average interest rate charged for that period for that accommodation was approximately 45 per cent per annum, and for a portion of this money as high as 87½ per cent per annum was exacted. From the schedule attached to Governor Wellborn's letter you will note this little bank was allowed in that period a "basic line" of only $2,765. That was the total amount they were permitted to borrow at 6 per cent for the period mentioned, except that they were allowed a further exemption from the progressive rates of $35,000 additional, as the reserve bank gave an exemption on farm-production paper to the extent of the bank's capital and surplus, which was $35,000, making the total amount upon which normal rate was charged $37,765, while the loans upon which the progressive rates were exacted amounted to $112,446, and for every $691 which this little bank had to borrow, in addition to the exemption above stated, the reserve bank increased the rate one-half of 1 per cent, so that by the time its loans, in addition to the exemption, had reached $26,000, the reserve bank was charging it as high as 25 per cent per annum; when those loans reached $60,000 the reserve bank was charging it for a portion as high as *50 per cent* per annum; by the time its additional loans reached $94,000, the Atlanta Reserve Bank was exacting 75 per cent per annum on some loans; and when its accommodation, in excess of $37,765, reached $112,446 the reserve bank was actually charging it on a portion of the loan as high as *87½ per cent per annum.*

The reserve bank had a complicated and unfair method of fixing what it called the "basic line" for each two weeks' period, and the reserve bank availed itself of an accidental circumstance to impose these infamous rates upon this little bank, the basic line being based upon "the average reserve balance of the preceding two weeks."

It appears that a note due to the reserve bank of $17,500 fell due on September 14, and instead of renewing it, the reserve bank charged the amount against the reserve balance of the little member bank, so that its account appeared overdrawn for two days, $17,300 one day and $16,300 another day. The omission of the reserve bank to renew or carry this maturing note for a day or two longer was the excuse for reducing the so-called basic line of the small bank to $2,765. It was under these circumstances that the reserve bank proceeded to enforce its theory of progressive rates, and required the little country bank to pay *an average* of about *45 per cent per annum* for the use of *$112,446* in its hour of need in crop-moving times from September 16, 1920, to September 30, 1920.

If the Federal reserve banks should furnish to the Senate a list of all instances where these reserve banks exacted extortionate interest rates, ranging from 10 per cent per annum to 87½ per cent per annum, from their helpless member banks between May, 1920, and May, 1921, the period of acute distress, during which period the reserve banks contracted their loans approximately one thousand million dollars, it would be most illuminating.

The Federal reserve authorities tried to excuse themselves by claiming that, despite the exaction of the progressive rate in many cases, the "average rate" charged for the period was not high, but that is no consolation to the victims of their malpractice.

When I, as a member of the board, discovered that such rates were being exacted by the reserve banks I offered a resolution in the Federal Reserve Board to abolish the progressive rates and limit interest to 6 per cent per annum, but my resolution was promptly voted down. I then offered another resolution, urging that the interest be limited to 10 per cent, but that was not enough to satisfy insatiable greed, and it was also voted down.

I also called upon the board to reimburse to the suffering banks the unconscionable interest exacted from them, but this they also refused to do until the sunlight of publicity had been turned upon these practices, and an aroused public opinion forced the Reserve Board to authorize partial restitution and finally abolish the progressive rates in all districts where they were still in vogue.

I was much struck with an extract from a letter from a prominent banker west of the Mississippi, which you read on the floor of the Senate a few days ago, in which, in a letter to one of your colleagues in the Senate, the bank president said:

"MY DEAR SENATOR: Unless something is done to check the extravagance and grave mismanagement which has been and is still being displayed in the administration of our Federal reserve system, of which I have been an ardent supporter, I fear the system will be doomed.

"*Its gross mismanagement has already occasioned widespread dissatisfaction and discontent. Such reckless extravagance as has been displayed in the erection of banking palaces in New York City and other places must be curbed and cured. There is a real danger that the people will rise in their wrath and not only throw out the men responsible for its mismanagement but may also try to do away with the system itself, unless abuses are corrected.*"

I am, as you are, a profound believer in the tremendous power for good of our great Federal reserve system properly

administered, but it can not survive a continuance of such abuses and mismanagement as those from which it has suffered at times in the past.

I earnestly hope that these wrongs and abuses can be corrected, and that wise, experienced, and courageous men, in the interest of the whole country, may be placed in charge of its administration.

With high regard, believe me,

Sincerely yours,

JOHN SKELTON WILLIAMS.

—

FEDERAL RESERVE BOARD,
OFFICE OF THE GOVERNOR,
Washington, February 23, 1921.

Hon. JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

DEAR MR. COMPTROLLER: Referring to your letter of the 18th instant, relative to the rate of discount charged the ——— National Bank of ——— Alabama under the progressive rate schedule which was in effect in the Atlanta district, I am inclosing for your information copy of communication received to-day from the governor of the Federal Reserve Bank of Atlanta.

It would be interesting to know if the loans of this bank increased during the time it was deficient in its reserves. If so, it would appear it has been guilty of a violation of the provision of section 19 of the Federal reserve act, which prohibits member banks from making new loans while deficient in their reserves.

Very truly yours,

W. P. G. HARDING, *Governor.*

—

FEDERAL RESERVE BANK OF ATLANTA,
February 21, 1921.

Hon. W. P. G. HARDING,
Governor Federal Reserve Board,
Washington, D. C.

DEAR GOVERNOR HARDING: Yours of February 19, relating to the rates charged the ——— National Bank of ——— Alabama under our progressive schedule which was in effect some months ago.

When adopting the progressive rate schedule on May 29, 1920, we established a normal or basic discount line for each bank, which was arrived at in the following manner:

Sixty-five per cent of the average reserve balance maintained during the preceding reserve computation period, plus the bank's investment in our capital stock, multiplied by 2½.

Originally only the direct notes of member banks, secured by Liberty loan bonds or Victory loan notes actually owned by the borrowing banks on April 1, 1920, or secured by Treasury certificates of indebtedness actually owned by the borrowing banks were exempt from the normal line. Three weeks later we added as an exemption from the normal line notes the proceeds of which had been or were to be used for strictly farm production, to an amount not exceeding the paid-in and unimpaired capital and surplus of the member bank.

For the reserve computation period, September 1 to September 15, the required reserve of the bank under consideration, based on its report of net deposits, was $9,433; its actual average reserve balance with us during that period was $86. Sixty-five per cent of this amounted to $55.90. Its investment in our capital stock at that time was $1,050, making a total of $1,105.90, which, multiplied by 2½, established a normal line for the period, September 16 to September 30, of $2,765. Their average rediscounts during the latter period was $150,211.

Amount subject to normal rates (basic line)	$2,765
Farm-production paper exemption (capital and surplus of bank)	35,000
Total exemption	37,765
Leaving as subject to progressive rates	112,446

As you know, our schedule progressed one-half of 1 per cent for each 25 per cent of the basic line, so that this bank was subject to an interest charge of one-half of 1 per cent progressively for each $691 of the remaining $112,446 of rediscounts. A list showing the cost incurred by the bank on each 25 per cent is attached.

Their small average reserve balance during the period September 1 to 15 was brought about by reason of the bank's account being overdrawn on September 14 and 15 approximately $17,300 and $16,300, respectively. This was occasioned by their failure to provide funds or discounts to cover their direct note for $17,500 which matured on September 14.

The period September 16 to 30 was the only one in which the rate against this bank went to such a high figure, viz, 81½ per cent. During the preceding period the highest rate charged was 13½ per cent.

It was with regret that we made the extremely heavy charge, but we did not feel justified in eliminating it, as it would have been discriminatory.

From the comptroller's memorandum it would seem that he is under the impression that all farmers' paper was exempt from the normal line and the progressive rate schedule, which obviously is in error, as exemption on that class was being granted only to the extent of the capital and surplus of the borrowing bank.

I trust the above gives you the desired information, but if any further details are desired will be pleased to furnish same.

Very truly yours,

M. B. WELLBORN, *Governor.*

(*Copy.*)

Reports of members other than reserve city banks borrowing in excess of basic line for period September 16 to September 30.

ATLANTA ZONE.

Name and location.	Average borrowings in excess of basic line during report period.	Superrates applied to excess borrowings.[1]	Amount of discount charges at superrates.
		Per cent.	
Alabama. ——— national bank; basic line, $2,765.	$691	½	$0.14
	691	1	.28
	691	1½	.42
	691	2	.57
	691	2½	.71
	691	3	.85
	691	4	1.14
	691	4½	1.28
	691	5	1.42
	691	5½	1.56
	691	6	1.70
	691	6½	1.84
	691	7	1.99
	691	7½	2.13
	691	8	2.27
	691	8½	2.41
	691	9	2.56
	691	9½	2.70
	691	10	2.84
	691	10½	2.98
	691	11	3.12
	691	11½	3.26
	691	12	3.41
	691	12½	3.55
	691	13	3.69
	691	13½	3.83
	691	14	3.98
	691	14½	4.12
	691	15	4.26
	691	15½	4.40
	691	16	4.54
	691	16½	4.63
	691	17	4.83
	691	17½	4.97
	691	18	5.11
	691	18½	5.25
	691	19	5.40
	691	19½	5.54
	691	20	5.68
	691	20½	5.82
	691	21	5.96
	691	21½	6.10
	691	22	6.25
	691	22½	6.39
	691	23	6.53
	691	23½	6.67
	691	24	6.82

[1] "Superrates" are the rates charged *in addition* to 6 per cent per annum interest.

Reports of members other than reserve city banks, etc.—Contd.
ATLANTA ZONE—continued.

Name and location.	Average borrowings in excess of basic line during report period.	Superrates applied to excess borrowings.	Amount of discount charges at superrates.
		Per cent.	
Alabama—(Continued)....	$691	24½	$6.96
	691	25	7.10
	691	25½	7.24
	691	26	7.38
	691	26½	7.52
	691	27	7.67
	691	27½	7.81
	691	28	7.95
	691	28½	8.09
	691	29	8.24
	691	29½	8.38
	691	30	8.52
	691	30½	8.66
	691	31	8.80
	691	31½	8.94
	691	32	9.09
	691	32½	9.23
	691	33	9.37
	691	33½	9.51
	691	34	9.56
	691	34½	9.80
	691	35	9.94
	691	35½	10.08
	691	36	10.22
	691	36½	10.36
	691	37	10.51
	691	37½	10.65
	691	38	10.79
	691	38½	10.93
	691	39	11.07
	691	39½	11.22
	691	40	11.36
	691	40½	11.50
	691	41	11.64
	691	41½	11.78
	691	42	11.93
	691	42½	12.07
	691	43	12.21
	691	43½	12.35
	691	44	12.49
	691	44½	12.64
	691	45	12.78
	691	45½	12.92
	691	46	13.06
	691	46½	13.20
	691	47	13.35
	691	47½	13.49
	691	48	13.63
	691	48½	13.77
	691	49	13.91
	691	49½	14.06
	691	50	14.20
	691	50½	14.34
	691	51	14.48
	691	51½	14.62
	691	52	14.77
	691	52½	14.91
	691	53	15.05
	691	53½	15.19
	691	54	15.33
	691	54½	15.48
	691	55	15.62
	691	55½	15.76
	691	56	15.90
	691	56½	16.04
	691	57	16.19
	691	57½	16.33
	691	58	16.47
	691	58½	16.61
	691	59	16.75
	691	59½	16.90
	691	60	17.04

Reports of members other than reserve city banks, etc.—Contd.
ATLANTA ZONE—continued.

Name and location.	Average borrowings in excess of basic line during report period.	Superrates applied to excess borrowings.	Amount of discount charges at superrates.
		Per cent.	
Alabama—(Continued)....	$691	60½	$17.18
	691	61	17.32
	691	61½	17.46
	691	62	17.61
	691	62½	17.75
	691	63	17.89
	691	63½	18.03
	691	64	18.17
	691	64½	18.32
	691	65	18.46
	691	65½	18.60
	691	66	18.74
	691	66½	18.83
	691	67	19.03
	691	67½	19.17
	691	68	19.31
	691	68½	19.45
	691	69	19.59
	691	69½	19.74
	691	70	19.88
	691	70½	20.02
	691	71	20.16
	691	71½	20.30
	691	72	20.45
	691	72½	20.59
	691	73	20.73
	691	73½	20.87
	691	74	21.01
	691	74½	21.16
	691	75	21.30
	691	75½	21.44
	691	76	21.58
	691	76½	21.72
	691	77	21.86
	691	77½	22.01
	691	78	22.15
	691	78½	22.29
	691	79	22.43
	691	79½	22.58
	691	80	22.72
	691	80½	22.86
	691	81	23.00
	691	[1] 81½	16.88
Total.....	.....	.....	1,891.44

[1] 81½ per cent "superrates," added to the normal 6 per cent, makes the total interest rate 87½ per cent per annum.

EX-COMPTROLLER WILLIAMS TURNS LIGHT ON DEFLATION AS CONDUCTED BY FEDERAL RESERVE BANK OF ATLANTA.

RICHMOND, VA., *July 25, 1922.*

HON. J. THOMAS HEFLIN,
United States Senate, Washington.

MY DEAR SENATOR: I received some weeks ago a clipping from the Mobile Register of May 20, containing what purported to be an address made by Governor Wellborn, of the Federal Reserve Bank of Atlanta, before the Alabama Bankers' Association, in defense of the administration of the Federal reserve system, which contained a number of statements so flagrantly incorrect and misleading that I thought it proper to write Governor Wellborn as I did on May 26, asking whether he had been correctly quoted.

I received from him a letter under date of June 1, admitting that his statements to which I directed attention were inaccurate.

I replied to his communication on June 10 in a letter in which I deprecated promulgation by the officials of the reserve system of statements which were obviously incorrect, and remonstrated against policies and practices which were bringing discredit upon the reserve system, and urged the importance of reformation before it might be too late.

Governor Wellborn replied to my letter on July 20, but did not attempt to deny or controvert a single one of the statements and charges which my letter contained.

As my letter discussed matters which I regard as of supreme importance to the whole country, I had it printed, giving on the first page of the printed copy a résumé of the correspondence which had preceded it.

When Governor Wellborn learned that I had made my letter public, he became greatly exercised and wrote a letter complaining bitterly of my doing so, and declared that I should have printed a certain letter of his at the same time. I wrote him in reply that I would be pleased to make public our entire correspondence, including a personal letter which he had written me under date of June 26, in which he assured me of his deep appreciation of my work, both as Comptroller of the Currency and as a member of the Federal Reserve Board, and so forth. He replied July 17, objecting to my making public his letter of June 26, 1922, expressing unqualified commendation of my work as comptroller and member of the Federal Reserve Board, but I wrote him in answer on July 22 that I felt it entirely proper under the circumstances for me to make public our complete correspondence on the subject. I therefore hand you herewith copies of my letters to Governor Wellborn of May 26, June 10, June 24, June 29, July 15, and July 22, and Governor Wellborn's letters to me of June 1, June 20, July 3, and July 17, but I omit at the present time, at Governor Wellborn's earnest request, the publication of his letter to me of June 26, commending my work as a member of the Reserve Board and as Comptroller of the Currency, although, if the occasion in my judgment should at any time call for it, I will make that letter public also.

The correspondence gives a view of some of the inside operations, methods, and practices of the Federal reserve system, especially of one of the Federal reserve banks, which I believe is of real interest to the public, especially in connection with the recent activities of the 12 Federal reserve banks in distributing throughout the country more than 140,000 copies of a Senate speech which contains, as you have openly pointed out on the floor of the Senate, and as the authorities of the several reserve banks are presumed to have known, before disseminating it, so many inaccurate and wholly incorrect statements concerning the operation and policy of these same banks.

With high regard, I am,

Sincerely yours, JOHN SKELTON WILLIAMS.

—

"All progress of the human race and of individuals is based on understanding of our blunders. My hope is to expose and explain blunders that have been made, to try to make them so thoroughly understood that they will not be repeated or continued." (John Skelton Williams, in address at Augusta, Ga., July 14, 1921.)

FAVORITISM, EXTRAVAGANCE, AND EXTORTION IN THE MANAGEMENT OF THE FEDERAL RESERVE SYSTEM—OUR FEDERAL RESERVE SYSTEM A NATIONAL BLESSING; ITS MISMANAGEMENT A PUBLIC CALAMITY—AVERAGE OF 68 PER CENT INTEREST EXACTED ON $50,000 BY RESERVE BANK FROM SMALL COUNTRY BANK WITH $25,000 CAPITAL—ABOUT SAME TIME TWO BIG SPECULATIVE BANKS IN CITY ARE FAVORED WITH $250,000,000, GROSSLY EXCEEDING THEIR NORMAL QUOTA, AT AVERAGE INTEREST CLOSE TO 6 PER CENT—FEDERAL RESERVE OFFICIALS SCATTER BROADCAST, AT PUBLIC EXPENSE, UNTRUE AND MISLEADING STATEMENTS CONCERNING RESERVE BANK OPERATIONS.

The Mobile (Ala.) Register of May 20, 1922, printed what purported to be extracts from an address delivered in Mobile before the Alabama Bankers' Association by Governor Wellborn, of the Federal Reserve Bank of Atlanta, containing several important statements so directly contrary to established facts, and so misleading to the public, that I thought it proper to write Governor Wellborn on May 26, 1922, to ask if he had been correctly quoted. The newspaper had represented Governor Wellborn as saying, inter alia, that the so-called "progressive interest rates" (under which the Atlanta Reserve Bank had charged as high as 87½ per cent to a member bank) had not been applied on any paper issued for "agricultural purposes," and he also declared that from January 1, 1920, to January 1, 1921, the reserve banks "extended their accommodations to member banks around $1,000,000,000." He then added: "I challenge the severest critic of the Federal reserve system to successfully refute the statement."

Governor Wellborn replied to my letter on June 1, 1922, and admitted that both of his statements which I had challenged were inaccurate. (I shall be pleased to send, upon request, to those desiring them, complete copies of my letter to Governor Wellborn of May 26, 1922, and his reply of June 1, 1922.)

In his answer the governor of the Atlanta Reserve Bank asserts that he had "inadvertently" omitted to state that the paper issued for agricultural purposes exempted from the progressive rate was limited to the "capital and surplus" of the borrowing bank, and that in declaring the reserve banks had "extended" their accommodations around $1,000,000,000 he had not referred to the increase in accommodations but to the total accommodations granted, and then explaining that he had made an error of $2,000,000,000, and he should have stated that the total accommodations granted, instead of being "around one billion," had been "around three billion." About three-fourths of his letter, however, was devoted to an effort to show, first, that the Federal Reserve Board, by refusing the Atlanta bank's request for the abolition of the progressive rate on August 31, 1920 (some weeks before the bank had imposed the barbarous rates it subsequently exacted), had "held us" (Atlanta Reserve Bank) "chained to the rocks to be preyed upon later" by critics, claiming that I, as a member of the board, was "bound to assume all mistakes, if any, where you (I) participated in its deliberations," and second, that as I had praised the Federal reserve system and its "functioning" in my annual report as Comptroller of the Currency, dated December 6, 1920, I could not now consistently criticize the mismanagement of that system. Governor Wellborn's claims and criticisms are fully covered in my reply, which follows.

JOHN SKELTON WILLIAMS.

—

(Letter from John Skelton Williams to the governor of the Federal Reserve Bank of Atlanta.)

RICHMOND, VA., *June 10, 1922.*

Mr. M. B. WELLBORN,
Governor Federal Reserve Bank of Atlanta.

DEAR GOVERNOR WELLBORN: Your letter of the 1st instant in response to mine to you of May 26 has been read with interest and concern. It causes me to fear that you have not studied closely the facts and figures of the Federal Reserve Board reports and statements, or have studied them so assiduously that you have become confused regarding their meanings. Knowing your usual care and accuracy in statements on important matters and the clarity of your mind, I am forced to believe that one of the two conditions I have suggested must explain the remarkable position in which you have put yourself by your address at Mobile, as published in the newspaper I saw, and your explanation or elucidation of it in your letter to me.

GOVERNOR WELLBORN MAKES A SLIP OF A BILLION DOLLARS.

If in that address you intended the word "extended," as applied to accommodations by Federal reserve banks to member banks in the year from January 1, 1920, to January 1, 1921, to mean "allowed" or "granted," you understated the amount, as you tell me, and as the undisputed records show, by more than a billion dollars, which is a respectable sum worthy of consideration and recollection. If you intended it, as I understood it, to mean "increased," or "expanded," you overstated the amount by about three-quarters of a billion dollars—also a respectable sum.

Either way, it seems to me, the error is so considerable as to impair very seriously the credibility of any assertions on this subject you may present. My understanding of what you meant, I respectfully submit, is justified by the context of your remarks as published. Accepting myself as a person of average and usual intelligence, I think I might fairly suppose that the impression of your meaning made on my mind was made also on the minds of many of your hearers and the readers of the newspaper reports.

REFRAINS FROM MAKING PUBLIC CORRECTION WHEN ERRORS WERE EXPOSED.

For that reason I asked your attention to the statements published as coming from you. I felt that I might assume your purpose not only to be accurate but to give the public accurate information and, therefore, might reasonably expect that when informed that your statements had been or might be misconstrued you would hasten to make clear what you did mean and what the reserve banks actually did in the year 1920, that you would write me such an elucidation, and that you would straighten, publicly, the misunderstanding the newspapers appear to have had or had given their readers. I regret that no correction has been forthcoming.

My interpretation of your meaning perhaps was based partly on the fact that you appeared to follow so closely the statement of a very able and distinguished, but very sadly misled, United States Senator to whose speech in the Senate in defense of the course of the Federal Reserve Board you have given wide circulation. There can be no possible misunderstanding of this gentleman's meaning. He spoke, referring, apparently, to this same year 1920, to which you refer, of the *expansion in Federal reserve credits aggregating nearly $1,000,000,000 within the 12 months' period of falling prices.*

He named the same amount you named and alluded, it seems, to the same year to which you alluded. I submit it was natural for me to assume that you intended to convey by your word "extended" precisely the same meaning he had conveyed, unmistakably, by the word "expansion." I had showed you when you called at my office with Chairman McCord a month or two ago a chart distinctly disproving the Senator's statement on this very point, which also was overwhelmingly disproved by another Senator on the floor of the Senate. Substantially the only variation you made from the Senator's contradicted and disproved statement was to say that the billion dollars of credit had been "extended" instead of "expanded," and it now appears you should have said the credit "extended" was more than $2,000,000,000.

DISTORTERS OF STATEMENTS COMPARED TO MACBETH'S WITCHES.

Without intending to be discourteous, I can not avoid being reminded that the business interests of the country, suffering so cruelly in that year 1920 for lack of credit which one gentleman says was "expanded" and another says was "extended," might have applied the remark of Macbeth of the witches:

"And be these juggling fiends no more believed
That palter with us in a double sense,
That keep the word of promise to the ear,
But break it to our hope."

In giving widespread circulation, as I am informed you did, to the speech of the Senator above referred to, who had been so gravely misled by some one, you have placed yourself in a serious position. Obviously the Senator who made that speech had been deceived by unworthy informants—had he been better informed he would not have made such statements—but you had not been deceived. You knew officially that vital statements in the speech of the Senator referred to were untrue, and yet you gave widespread currency to them.

FEDERAL RESERVE OFFICIALS DELIBERATELY AND KNOWINGLY GIVE CIRCULATION TO ERRONEOUS AND MISLEADING STATEMENTS.

It is encouraging to note, however, that the United States Senate on June 8, 1922, adopted unanimously a resolution calling upon the Federal Reserve Bank of Atlanta to furnish the Senate a list of the names and addresses of all citizens in Alabama—before whose bankers' association you also made your misleading speech—to whom copies of the Senator's speech, above referred to, were sent by you, and also how much money was expended in thus printing and distributing that incorrect and erroneous document, which you knowingly sent broadcast.

I am sorry that, like various others who have undertaken to defend and uphold the policies and course of the board, you use, in your speeches and elsewhere, so many words and so much space in endeavors to assail my action and, by implication, to impugn my motives. This is unpleasantly like the old trick of attacking the Commonwealth's attorney in default of other defense. Thus far, I may say, incidentally, the most energetic theorizing and ingenuity have failed to develop a motive in me so satisfactory to these assailants as to tempt them even to suggest it definitely. Perhaps their failure is explained by the simple fact that they have assumed that my motives must be evil and can not by any possibility be good. Imagination, apparently, has failed to grasp the possibility that I really may be trying to do a public service by pointing out errors and wrongs that have been committed with the hope that repetition of them may be avoided hereafter.

As a matter of fact, however, my motives and my actions as a member of the Federal Reserve Board are absolutely immaterial and irrelevant in this discussion, except to myself. Let anybody who finds pleasure or relief in the process assume that my motives are the worst and that I connived at, or aided in, all the wrongdoing of the board. That assumption can have no possible bearing on the real question. That question is *whether the policies and methods of the Federal Reserve Board and banks in 1920 were wrong and responsible for so much of the strain to which the commerce of the country was subjected and the many instances of ruin and irreparable loss which attended the process of readjustment of business.*

EFFORTS TO CONFUSE THE CLEAR-CUT ISSUE WILL FAIL.

Yet, to keep the record straight and to prevent assertions regarding myself from winning acceptance as true because allowed to go unchallenged, I am compelled to answer and refute in some detail misleading statements regarding myself in my own behalf, just as I am impelled by sense of duty to answer and refute misleading statements regarding the general administration of the Federal reserve system in behalf of the public and the future. The more important general issues must be taken up first, however.

I understand you to tell me, in your letter to me referred to, that another statement attributed to you in the newspaper reports of your address I saw is a misunderstanding of your meaning or an error. You are reported as having said that in the summer of 1920 you took the precaution to *exempt* from operation of the repressive and oppressive progressive rates charged for accommodations all "borrowings of member banks for agricultural purposes." What you intended to say, you tell me, was that you exempted such borrowings or accommodations "up to capital and surplus." This difference is rather important, inasmuch as exemption limited to capital and surplus would apply to but a minor portion of many banks' legitimate and necessary borrowings, in many instances to one-fifth or one-sixth or even one-seventh of their borrowings.

GOVERNOR WELLBORN TOLD ALABAMA BANKERS' CONVENTION 6 PER CENT HAD BEEN MAXIMUM CHARGED ON DISCOUNTS FOR AGRICULTURAL PURPOSES—OFFICIAL FIGURES INDICATE 87½ PER CENT WAS EXACTED.

It is not hard for the public to see that charging on a loan for agricultural purposes 60 per cent, 70 per cent, and 87½ per cent is very different from limiting your charges on such paper to 6 per cent per annum, as you boldly assured the Alabama bankers in your Mobile address you had done.

Of course, it was impossible for me to know what you intended to say or what the newspapers omitted from what you did say, just as it was impossible for me to know that when you spoke of "extending" a billion dollars of credit in 1920 you meant to refer to and include the two billions allowed before that year. You can see, and I understand you to concede now, that *the statements attributed to you in the newspaper reports of your address, and what you now admit you made, were untrue and misleading on vitally important points of a vitally important question of vast and direct concern to the business interests and the general public.*

I trust you will agree that, seeing such publication and having the real facts in my possession, my duty as a citizen demanded that I file a protest and call for correction. If by any means, or through any misunderstanding or misconception, appearance of public approval of the course of the Federal reserve management is obtained, similar management may continue, with the result of disaster and destruction worse than we already have seen and felt.

This duty of protest and correction is made the more imperative by the determined, systematic effort apparently being made in Congress, through newspapers in all parts of the country, and by addresses from persons supposed to be well informed, and propaganda in other forms to prove that the system has been wisely and faithfully conducted and its machinery and resources have been used in the best possible way.

PROPAGANDA BY FEDERAL RESERVE OFFICIALS MISINFORMING THE PUBLIC AND INJURING THE SYSTEM.

In view of facts painfully evident to all, the inevitable consequence of this propaganda must be to shake public confidence in the entire system, causing the conclusion that if the system was used in the best possible way and failed to avert the dire consequences that came under its operation, it must be a hindrance rather than a help, a curse rather than the blessing it was intended to be and should be and, properly administered, unquestionably would be.

I am doing all I can to strengthen public confidence in the system by proving, as I think I have proved incontestably, that its partial and disastrous failure at the very pinch and the supreme moment of test and emergency was not caused by defect in the system itself, either in its theory or its plan, and was caused by misuse of it and the stubborn blunders of those to whom its management had been intrusted.

Let us consider a little more in detail a claim you make that figures which you have from the Reserve Board "show an expansion of $472,000,000 in discounts for the year 1920," and you add that "This in itself conclusively shows that there was no contraction of loans, but on the contrary a very large increase." I consider that statement very misleading.

DENIALS OF CREDIT CONTRACTION FUTILE—DEFLATION CRUELLY DRASTIC.

While you "parade" the claim that in the year 1920 there was an increase in "discounts" by the reserve system of $472,000,000, *you withhold the fact* that in another class of credits or accommodations by the reserve system, namely, in "purchased paper," there was, in the same year 1920, an actual contraction of $320,000,000.

Furthermore, in order to show an "increase" you combine the first five months of 1920, while prices were still going up or had remained stable, with the last seven months when the great fall in prices was under way. The fact is that the great collapse in prices in this country practically began in May or June, 1920. It received its impetus when the reserve system between May 28, 1920, and June 25, 1920, called in or contracted credits for that one month over $107,000,000, and began exerting pressure all along the line. From May 28, 1920,

to January 28, 1921, the actual contraction in Federal reserve credits, according to the official figures given out by the Federal Reserve Board, was $315,857,000, and from January 28, 1921, to August 31, 1921, while prices were tumbling heavily, there was a further contraction of $1,094,919,000.

The shrinkage in outstanding credits of the Federal reserve system from May 28, 1920, to August 31, 1921, amounted to $1,410,776,000. And from May 28, 1920, to January 25, 1922, the actual shrinkage was $2,005,149,000.

These figures show whether there was "inflation" or "deflation" in credits by the reserve banks in the period of the great fall in prices. You will hardly deny the figures, although they contrast rather vividly with yours.

STATEMENTS OF RESERVE BANK GOVERNOR SPECIOUS BUT DISINGENUOUS.

My letter to you of May 26 showed that the total increase in amount of accommodations granted by the 12 reserve banks between January 2, 1920, and December 30, 1920, was only $169,018,000, not $472,000,000, as a layman, not knowing that the word "discounts" did not include "bought paper," which was really one form of "discounts," would naturally infer from your statement. Moreover, there was an increase in credits granted from January 30, 1920, to May 28, 1920, of over $200,000,000, and in that period the prices of commodities remained stable or advanced.

It was only by eliminating one class of "discounts" or credits in which there was a heavy shrinkage of about $320,000,000 in the period that you were able to figure, as you claim, an expansion of $472,000,000 in "discounts" for the year 1920, omitting items in which there was a heavy shrinkage.

During the summer of 1920 loans were being called in right and left by the reserve system, and although many banks previously accommodated were being made to pay up other banks which had not previously been borrowing were allowed moderate accommodations.

UNFAIR EFFORTS TO SUPPRESS VITAL FACTS AND FIGURES.

The whole atmosphere at that time was so surcharged with the "deflation" propaganda that many leading and experienced men were apprehensive of a panic. On July 28, 1920, I gave to the press a reassuring statement calling attention to the fact that the Federal Reserve Board had an unused lending power at that time of about $750,000,000. The reaction from that statement from all parts of the country was exceedingly salutary and beneficent, and I have been assured that my statement at that time had been most helpful in averting a still more acute situation or panic. However, my colleagues on the Federal Reserve Board, save one, and the chairman of the Federal Reserve Bank of New York became quite incensed over my reassuring and encouraging publication and complained that I *was interfering with their well-laid deflation schemes and plans, which, subsequent events proved, were so ruinous to the country.*

Now, as to your attempts to excuse or palliate the inhuman interest rates charged in certain instances by the Federal Reserve Bank of Atlanta.

GOVERNOR WELLBORN CHARGES THE FEDERAL RESERVE BOARD HELD HIM AND HIS ASSOCIATES "CHAINED TO THE ROCKS TO BE PREYED UPON."

In extenuation of exactions imposed by you under your so-called "progressive-rate system" you claim that that plan was approved by the Federal Reserve Board at a meeting which I attended in May, 1920, and that when a request from the Atlanta reserve bank for permission to abolish the "progressive rate" was presented on August 31, 1920, I was present at *the meeting* and did not vote in favor of its termination, and that *therefore* I held you "chained to the rocks to be preyed upon later" by your critics.

It is not important whether I was or was not present at that meeting, and that point is not essential, for up to that time—August 31, 1921—the barbarous and unconscionable rates subsequently imposed by your bank had not been applied. It was not until the latter part of September, 1920, that you charged a country bank in Alabama 50 per cent, 60 per cent, and 70 per cent, and as high as 87½ per cent for the use of Federal reserve funds.

THE "BIRDS OF PREY."

I am very willing to let the public decide which was the "bird of prey"—the reserve bank which was devouring the entrails of the struggling country bank by exacting from it unconscionable and ruinous interest all the way from 50 per cent to 87½ per cent on "accommodations" amounting to twice the capital of the country bank, or whether the vulture was the little bank which was forced to pay those extortionate rates to the reserve bank, although the little bank was lending money at that very time to its farmer customers at about 8 per cent per annum.

A FEDERAL RESERVE BANK CHARGED INTEREST SIX TIMES AS HIGH AS WAS CHARGED BY ANY GOVERNMENT BANK IN ANY OTHER CIVILIZED COUNTRY ON EARTH.

The official records show that you exacted, sir, in the guise of "interest" from the small country bank referred to, *an average of over 69 per cent per annum on over $50,000, a rate more than six times as great as the maximum charged by the Government banks of any other civilized country on earth*—during that period, or at any time, as far as I have been able to discover, and you now have the effrontery to boast of the "*sympathetic attitude*" of Federal reserve officials toward farmers and other borrowers!

I am sure you will not deny these figures. If you do, I shall have to confront you with your own signed confession that you did exact the inhuman interest rates stated by me. However, as you lay such emphasis on my presence or absence from a certain board meeting, I am glad to take this opportunity to get the true facts on this point in the record.

In the first place, I do not believe that I was present at the August 31, 1920, meeting to which you refer. In the stenographic report of proceedings before the Agricultural Joint Commission Congressman MILLS claimed that the records show that I had been present. I told him that if the record did show me present, I did not care to dispute it, but I informed the commission that I had no recollection of any such occasion and called attention to the fact that frequently matters were taken up by the board after I had been excused from meetings in order to give time to more urgent matters demanding my care in the comptroller's office.

Subsequently Chairman Anderson, of the commission, informed me that the records—the stenographic report of the hearing—showed that I was *not* present at the meeting of August 31, 1920, when the request of the Atlanta bank for permission to abolish the progressive rate was acted upon, and it was Chairman Anderson himself who, when his attention was called to the matter, inserted in the transcript of the proceedings before the commission the note which says, on page 174, that "*the record shows that Mr. Williams was not present at the meeting of August 31, 1920.*"

Subsequently Chairman Anderson wrote me that the minutes of the reserve board, as it was claimed they then stood, indicated that I *was* present, and therefore he directed that the official record of the minutes of the meeting, as quoted by Representative MILLS, which in the stenographic report originally submitted to me read "*Mr. Williams was absent*" should be changed, and that was done.

In a letter to Chairman Anderson, October 14, 1921, I had said:

"Please note that both the stenographer's report and the galley proof which were sent me some time after your letter of August 16, above referred to, report clearly *in regard to the August 31* meeting that '*Mr. Williams was absent.*'

"My letter to you of September 3, 1921, in which I returned the galley proof, which also contained, in the body of the testimony on proof 68 LG, the statement:

"'The record shows that *Mr. Williams was not present at the meeting of* August 31, 1920.'

"I, of course, assumed from your letter of August 16 and the notation above quoted, that the question of my absence at the meeting referred to had been duly checked up and that the stenographic report that I was absent was correct. I do not believe that I was present at that meeting. I was quite surprised to-day to find in part 13 of the hearing, page 173, that since my return to you of the stenographic report and the galley proof that the *text was changed* to read 'Mr. Williams was present,' instead of 'Mr. Williams was absent.'"

And in another letter to Chairman Anderson, October 18, 1921, I had said:

"In view of the conflict in testimony concerning the Federal Reserve Board meeting of August 31, 1920, as to which the extract of the minutes read by Congressman MILLS on August 2, as shown by the stenographic record, reported me 'absent' from that meeting and the subsequent claim of the reserve board that the minutes showed me to be 'present,' I will greatly appreciate it if you could, without embarrassment, procure and send me, as requested in my letter to you of the 14th instant, a certified copy of the entire minutes of that meeting."

Chairman Anderson wrote me under date of October 22, 1921:

"I have asked the Federal Reserve Board to furnish the commission with a certified copy of the record of the proceedings of the board meeting of August 31, 1920."

But from that day to this I have heard nothing further from him on this subject—and I am more fixed than ever in my belief as expressed to the commission that I was not present at the meeting when that subject came up and never at any time voted against the abolition of the progressive rate.

RESERVE BOARD TWICE VOTES DOWN MR. WILLIAMS'S MOTIONS TO LIMIT INTEREST RATES CHARGED MEMBER BANKS TO 10 PER CENT OR LESS.

Will also add that, although my colleagues on the reserve board voted down my resolution offered about the 1st of February, 1921, to prevent the exaction of anything over 6 per cent, and another resolution limiting charges to 10 per cent by any reserve bank in any district, I can hardly conceive that they would have voted at any time to approve such rates as those which were charged and collected by the Atlanta Reserve Bank in certain notorious instances. It was not until January, 1921, that I discovered that your bank had charged, in September, 1920, over 60 per cent, 80 per cent, and 87½ per cent on loans, and by that time the progressive rate had been abolished by the Atlanta Reserve Bank, the progressive rate in that district having been rescinded by the board in November, 1920.

I can not see how you can restrain the blush of shame for collecting such unconscionable rates. When you found that the "progressive" rate plan yielded such results you should have notified the board at once. It seems inconceivable that the board under such conditions would have allowed such rates to be continued. *Yet when I discovered later on that extortionate rates were still being charged and demanded of the board, first in letters and then in public addresses, that they should abolish all progressive rates and reimburse the sufferers, they refused to act for some months, until an aroused public opinion forced them to make restitution.*

In your efforts to establish character for the management of the reserve system and to justify its administration you appeal to the commendation of the system itself contained in my annual report as Comptroller of the Currency for the year 1920, submitted under date of December 6, 1920.

RESERVE OFFICIALS SEEK TO DEFEND THEIR CONDUCT BY APPEALS TO COMPTROLLER'S COMMENDATION IN HIS 1920 REPORT.

I noticed also in some newspaper a few days ago extensive quotations taken from the same report by Governor Harding in his effort to establish character; but your arguments, and his, are fully answered by my statement before the Joint Congressional Commission of Agricultural Inquiry, of which you are doubtless well informed, for you refer in your letter specifically to that testimony. On pages 124–125 of that report appears the following clear and categorical statement which I think dissipates and destroys your claims. I said to the commission:

"I have stated, clearly and repeatedly, that the curbing efforts of the board and of the reserve banks were, for part of the time in the past two years, distinctly helpful and beneficial in restraining inflation and in stabilizing values. But when the upward movement was halted, and the downward rush of prices set in, the Federal Reserve Board, whether from inertia or from an inability to comprehend the meaning of events and the radically changed conditions, distinctly failed in the supreme trial.

"The lack of sympathy displayed by the board, and its apparent impotence to meet courageously and resourcefully a situation demanding instant and sagacious action was in my opinion unpardonable.

"I am convinced that if the Federal Reserve Board had heeded the urgent suggestions, recommendations, and warnings contained in my clear-cut letters and memoranda of August 9, 1920, October 21, 1920, and December 28, 1920, and had revised its policies and methods to meet and respond to the great changes which had already taken place and were going on in the world of business and finance, that it could, as I said in my Washington address on April 15, 1921, 'have saved us from a fall so precipitate and smashing, and from much of the distress and ruin through which we have been dragged. It could have made the shrinkage of values more gradual and uniform instead of violent and sporadic, could have helped strongly to keep the circulating currents of commerce at more even flow, so that the losses of each producer might be offset by reasonable reduction in the cost of what he must consume.'

RESERVE BOARD DEAF TO REMONSTRANCES AGAINST ITS FATAL POLICIES.

"On December 28, 1920, in advocating a liberalization of policies, I had said, inter alia:

"'Events, developments, and conditions warn us to remember that a stoppage too sudden may be disastrous as an explosion, that an unyielding barrier thrust into the path of a runaway machine may only hasten wreckage and assure a smash which skillfully regulated guidance might prevent.

"'Two months of actual experience which have elapsed since my letter to you of October 18, 1920, was written tend to intensify rather than diminish my fears for the immediate future.'

"The Reserve Board, however, refused to act favorably upon the urgent recommendations for more liberal policies made by me as a member, and also by many of the best minds in the financial and business world, and the great decline in values went on. I am happy to note, however, that the board, moved, presumably by the force of an aroused public opinion, has been at last compelled to change and to put into effect lower interest rates and more liberal measures, which, if they had been adopted at the time that I urged them upon my colleagues, would, I believe, have saved the country from a large part of the losses and suffering so needlessly forced upon it."

Extracts from my report as Comptroller of the Currency for 1920 have been assiduously distributed far and wide by Governor Harding and the Federal reserve officials who have been criticized by me, and diligent efforts have been made to secure editorial indorsements from newspapers based upon my statements.

AN EDITOR OF NEW YORK NEWSPAPER, PARTICULARLY ACTIVE IN DEFENDING THE RESERVE BOARD, FOUND ON PAY ROLLS OF THE FEDERAL RESERVE SYSTEM.

A New York paper, one of whose editors I am advised has been for some time past on the pay roll of the reserve system, some weeks after my testimony before the Agricultural Commission, printed an editorial claiming that the excerpts from my annual report furnished "an adequate reply" to Reserve Board critics. Promptly upon reading that editorial I addressed a communication to the editor of the paper, and as they apply equally as well to certain comments in your letter as to the editorial referred to, I take the liberty of quoting here the following extracts from my letter to the editor:

"Governor Harding, speaking at Charlotte, N. C., on September 22, quoted from the last annual report made by me to the Congress—for the fiscal year ending October 31, 1920, dated December 6, 1920, and submitted to Congress early in February, 1921—in which, in reviewing the work of the Federal reserve system in the past, I spoke in warmly earnest terms of the Federal reserve act and the great work which it had done, especially under the wise, conservative, and forward-looking influence during the entire period of the war of Secretary McAdoo, and for more than a year after the armistice with the strong and beneficial authority of Secretary GLASS. Unfortunately, for more than 18 months past the board has been without the salutary dominance and help of either of those leaders and has suffered from their absence.

"You republished these extracts used by Governor Harding in his speech, and you describe them as 'An adequate reply' to all that has been said by myself and others against the administration of the law and the system by the board. I have not changed my opinion of the law or of its earlier administration. * * *

"If an engineer was accused of wrecking a train on September 20 by flagrant disregard of signals, I submit that evidence that he had taken the same train safely through a storm on September 18, two days before, would not be 'An adequate reply.' It seems to me that the fact that the system brought us safely through the war and through the 12 or 18 months following, and then *failed* to bring us through the period of readjustment since the spring of 1920 safely and without the ruin of which we now see so many evidences on all sides is strong if not conclusive proof of mismanagement. *When a machine functions perfectly in its first tests and then, bereft of certain strong and guiding influences, fails, we must suspect faulty operation and management rather than defects in the machine itself.*

"No one can contend that results have been pleasant or satisfactory since inflation was halted. To advert to the simile used by Governor Harding in his letter to me of January 13, 1921, in which he said: 'We hold that the shrinkage which has taken place is somewhat analogous to that which occurs when a balloon is punctured and the gas escapes,' let me emphasize here my reply in which I remonstrated against 'puncturing' the balloon and bringing it to earth to collapse and ruin; urging that we should endeavor to effect a safe landing by the intelligent use of ballast and valve ropes.

"Governor Harding seems to agree with me that the system is as nearly perfect as the human mind can devise. When he concedes that, he forces on us the conclusion that the system has not been properly used.

"The official records show that as far back as January, 1920, I protested earnestly against the manner in which the funds of the system were being used to feed the fires of speculation, and remonstrated against the prodigal way in which the funds of the system were being dispensed to certain favored interests.

"In July and August, 1920, from my post as comptroller and member of the Federal Reserve Board, I saw vividly the dangers of the situation and gave warning to my colleagues. I could quote for you page after page of letters from August 20, increasing in earnestness and vehemence, until my retirement in March, 1921, urging that the situation was critical and dangerous, beseeching that the process of compulsory deflation be slackened and modified to meet changed conditions.

"While I was preparing my report for Congress in the autumn and winter of 1920 I was, at the same time, remon-

strating energetically against the policies by which the board was guiding its actions. I could not know and was unwilling to believe that the board would persist in those policies in the face of cumulating evidence of the destruction and demoralization which they were causing.

"My arguments with the board were against the methods in use, especially in certain sections of the country which were encouraging speculation and usury which should have been restrained or discouraged and were restraining production and actual useful commerce and business which should have been fostered and encouraged.

"It is not my purpose or aim to injure or punish anybody, or to offend or ruffle anybody's sensibilities. My plain purpose is to make clear as possible to the public and to those in authority what I regard as the disastrous mistakes and misuses of the splendid machine and system so that repetition of those mistakes may be avoided. For that reason I ask your indulgence to this contribution to the evidence and arguments in the case.

REPENTANCE AND REFORMATION NEEDED.

"In my view the only 'adequate reply' possible for Governor Harding and the Reserve Board is recognition of the errors of the past and intelligent study of the varying seasonal, territorial, and special needs of the country's commerce and variation and flexibility of policy and method to meet those needs impartially, courageously, and adequately, without fear and without favor.

"Consideration which should be based on plain facts, clear reasoning, and actual needs is clouded, and I think degraded, by attempts to obtrude upon it the familiar dodge of the police-court lawyer, endeavoring to discredit and put on the defensive the accusing witness, and the equally familiar trick of the cheap politician so *juggling and garbling quotations and dates as to make an utterance based upon one condition to apply to an opposite condition.*

"I am not skilled in such controversial arts and have no ambition to acquire them. All I want and ask in this regard is that we have such intelligent and faithful management of the Federal reserve system as will facilitate business and make our country prosperous everywhere, with our financial and commercial establishments safe and hopeful. Results and conditions prove that we have not had such management. I am contributing what I can to make sure that we shall have it soon and always, not only in one locality or section but throughout our whole country."

You appear to claim that in commending in my report as Comptroller of the Currency of December 6, 1920, the "functioning" of the Federal reserve system in a certain period, that I thereby gave a clean bill of health to its management and administration; but I must respectfully differ with you there. It is quite conceivable that the wonderful machinery of the steamship *Olympic* might "function" admirably on a trip across the ocean and yet be wrecked on the rocks by incompetent, drunken, or faithless officers responsible for steering her.

FEDERAL RESERVE OFFICIAL'S CONCEPTION OF A "SYMPATHETIC ATTITUDE."

In answer to your statements as to the "*sympathetic attitude*" of Federal reserve officials I will conclude my letter by quoting the following extract from an address I delivered in April, 1921, before the People's Reconstruction League in Washington:

"Precisely in point with what I have been saying and as illustration as what I may call callous, if not the brutal, attitude of some of our officials, let me read you a paragraph or two from the New York financial article printed in the newspapers the day before yesterday.

"The writer of the article said:

"'From a talk I had to-day with one of the important officials of the Federal reserve bank here it appears that there is a consensus of opinion among the different governors of the Federal reserve banks favoring a continuation of present policies despite the criticism heard from all quarters for lower interest rates and withdrawal of pressure to force payment of outstanding loans. There are three general policies which might be adopted, it was pointed out.

"'One would be to ease up on interest rates, but that policy, with the heavy inflow of gold, it was argued, might result in a renewal of dangerous speculation and inflation.

"'*Another policy might be adopted that would result in putting on still more pressure, thus cleaning up the after-war mess in a hurry and getting it over. But if that course were adopted, it was pointed out, "we would be a long time in picking up the pieces caused by the many forced failures."*

"'By far the best plan, it was argued, was the one now being followed, which permits continuous but moderate liquidation.'

"It must be noted that the only objection mentioned by the 'important official' of the Federal reserve bank quoted to the plan for '*putting on still more pressure*' was not the cruel injustice, the disregard of every principle for which the Federal reserve measure was created which it would involve, but the probability that they 'would be a long time in picking up the pieces'—i. e., the dead bodies—'caused by the many forced failures.'

ONE PLAN FEDERAL RESERVE OFFICIAL SAYS WAS DISCUSSED WAS, IN EFFECT, A PRELIMINARY MASSACRE OF BUSINESS.

"*One* policy 'might' cause renewal of dangerous inflation and speculation. *Another* would mean acute panic forced by unskillful or indifferent management or wanton mismanagement of the machinery ably devised to give relief and prevent panics. It is proposed to check disease and give the doctors and nurses surcease from troubles and responsibility by killing all the patients in the hospitals, a plan actually under discussion being to restore business to general sound condition by a preliminary *massacre* of business.

"The now prevailing method is supposed to be a compromise between these two, and we are told there is a consensus of opinion among the governors of the Federal reserve banks to let it continue. The suggestions offered by the 'important official' of the Federal reserve bank quoted above, are, I assume, a reflection of the attitude of the board, for which I can conceive of no excuse. Apparently it has not occurred to the board that it may be possible, by anxious and alert vigilance and careful responsiveness to daily situations and varying sectional requirements, to avoid either of the alternatives described above—delirium on one side, death on another, or a sleeping sickness, as at present.

"The man who put an automobile on the road with steering gear set and let it run, or the doctor who failed to adapt his treatment to stimulate or retard heart action, as conditions indicated, would be liable to indictment for murder.

"The policy outlined in this newspaper paragraph, as obtained from a Federal reserve bank official, is precisely that against which I war and against which I hope all of us will war. It is the policy of setting the steering gear and letting her go; of applying the same treatment to high fever and paralysis—the 'bureau' method of hard and fixed rules.

"*The Federal reserve system was not intended to be worked that way. It presupposes attention, intelligence, flexibility of thought in those who operate it, the capacity to feel and understand and to value the welfare of the country and of each of the individuals composing it as more important than official dignity, pride in an adopted policy, or blind and slavish allegiance to rules by those who first create them, and then abjectly worship them.*"

"HERO MEDAL" SOUGHT FOR SAVING SOME OF THE PASSENGERS OF VESSEL THEY HAD WANTONLY TORPEDOED.

You have claimed with much fervor that the reserve banks are entitled to great credit for saving the lives of numerous banks and business houses throughout the land during the period of extreme deflation and contraction which they themselves were so instrumental in bringing upon the country. On the other hand, men who are well-informed have likened our great Federal reserve system to a magnificent battleship, designed and built for the protection of the country, its commerce, and all its interests, which, through some colossal blunder, overtakes and torpedoes one of our own merchantmen, with thousands of passengers and a precious cargo, and having sent the merchant ship to the bottom of the sea, then launches lifeboats and picks up *some* of the drowning passengers. The officers of the battleship thereupon solemnly assume the rôle of life-savers and after having wrought such terrific destruction they brazenly ask Congress to bestow upon them the life-saver's medal for having rescued from the waves some of those whom the frightful blunder of those same officers had thrown into the jaws of death.

If you expect from the people of this country, when the facts are fully known, a reward for such a feat, you will find yourself bitterly mistaken. Our people will not scrap that battleship, but they will place it under the command of more worthy officers and they will visit upon those guilty for such a crime the punishment they richly deserve.

This letter I respectfully commend to your thoughtful consideration and study; and let me express the hope that in your future speeches in defending the management of our great Federal reserve system, which is capable of being of such tremendous value to our whole country and in which you hold so important an office, you will be more correct in the presentation of your arguments and claims and not stray so far from truth and fact.

Yours very truly, JOHN SKELTON WILLIAMS.

*"There are many economists who persist in their belief that the ruthless policy of deflation adopted by our financial managers after the war was largely responsible for the great depression that swept like a plague over the land, and from the ravages from which our industries are just beginning to make a progressive recovery; * * * there are many well-equipped business men, among them our exporters almost to a man, who still maintain that less drastic measures could have been adopted, or, at least, applied with less suddenness and severity. * * **

" * * the Federal Reserve Board was pursuing its policy of deflation ruthlessly, and the regional banks, as a result thereof, were piling up enormous profits and building gilded palaces from the sweat of the brow of American business."* (New York World, June 19, 1922, S. S. Fontaine, financial editor.)

It seems incredible, but it is nevertheless true, that four Federal reserve banks—New York, Boston, Cleveland, and Chicago—had, before the scandal was made public, planned, and were, with the sanction of the board, proceeding with the erection of banking palaces the aggregate cost of which was estimated, according to the confession made by the Federal Reserve Board in its report to the Senate, at $49,878,914.

This huge sum of money, nearly fifty million dollars, if it had been applied to the erection of Federal bonded warehouses in the South, together with the warehouses already available, would have provided storage for the entire cotton crop of the South, or, say, 10,000,000 bales; or, if it had been appropriated for the erection of grain elevators and warehouse facilities for agricultural products in the West, would have afforded invaluable aid and given infinite benefit and relief to tens of millions of our people instead of being squandered on costly banking palaces for the sumptuous delectation of four reserve banks. An eminent man of very high standing, writing recently from the North concerning this scandal, said:

"If you think the Tweed ring in their days and ways was any comparison with the Federal Reserve Board transaction you misapprehend the size. I lived in those days and I remember their sensations, which were tame when compared with these. If only the same men who got after Tweed could get after these they would prove an ornament to the generation and have a life estate that would perpetuate the recollections."

In connection with the millions of dollars ruthlessly wasted by the reserve banks, it is interesting to note that the Reserve Board's report to the Senate shows that in the New York Reserve Bank 33, or 80 per cent, of its officers had been given salary increases amounting in the aggregate to 3⅓ per cent, while the aggregate increase granted to 12 of those officers was 5⅓ per cent.

A former member of the Federal Reserve Board, a man of ability and broad progressive ideas, with whom I had the honor of serving on the board, who had seen its operations on the inside and who is also particularly well informed as to the credit situation in the West, to whom I had sent a copy of my address before the People's Reconstruction League, in which I exposed abuses and errors in the administration of the system and called for reform, wrote me, upon its receipt, a letter in which he said frankly:

"We all feel just as you do."

—

Within the past few weeks a bill has passed Congress by a big majority and has been signed by the President which limits the expenditures which may be made for any one Federal reserve bank building without the express authority of Congress to $250,000; which adds an additional member to the board and provides for giving the great agricultural interests of the country representation on that board.

Much has already been accomplished toward correcting the grave abuses in the administration of the Federal reserve system to which attention has been directed, but much still remains to be done. The power of public opinion, however, when once aroused is irresistible.

—

In a letter to Mr. Williams from Washington, under date of March 18, 1922, a distinguished publicist and author, in referring to exposures concerning the mismanagement of the Federal reserve system, which he describes as "startling revelations," said:

"Here is a national scandal. What is the reason the newspapers ignore it? Believe me, they would not have ignored it 25 years ago, nor the magazines 15 years ago. The fact of the suppression is more momentous than the scandal that is suppressed, tremendous as that is. These are disquieting conditions."

"I ask attention to the important fact that not a single one of the many serious criticisms and charges which it has been my unpleasant duty, in behalf of our Federal reserve system and in the public interest, to make against the administration of the reserve system has ever been refuted. They stand today unshaken and unshakable."—(John Skelton Williams in letter printed in CONGRESSIONAL RECORD December 19, 1921.)

—

"Right and wrong are in the nature of things. They are not words and phrases. They are in the nature of things, and if you transgress the laws laid down, imposed by the nature of things, depend upon it, you will pay the penalty."—(Lord Morley.)

(Copies of other published letters and addresses by Mr. Williams in behalf of a better management of the Federal reserve system may be obtained, while the supply lasts, upon application.)

The following extracts from an editorial which appeared in the columns of the Manufacturers' Record, of Baltimore, of August 11, 1921, show the effect which an aroused public opinion and the revelations made by Mr. Williams in his speech at Augusta, Ga., July 15, 1921, and his criticisms and disclosures made in preceding months as to the policies and administration of the Federal Reserve Board had in bringing about a reversal of those policies and a relaxation in money and credit conditions:

FEDERAL RESERVE BOARD FORCED TO REVERSE ITSELF HURRIEDLY AND DRASTICALLY ALL ALONG THE LINE—SIGNIFICANT DEVELOPMENTS.

"It had been arranged that Mr. Williams should testify before the joint committee of the Senate and House of Representatives now investigating agricultural conditions, on Tuesday, July 26, and Mr. Williams was in Washington prepared to go on the stand. He was informed that a postponement until the following Tuesday had been decided on.

"During the intervening week there were some spectacular events filled with meaning. The White House, for instance, gave out a statement intended to show the accomplishments of the administration to date. In that statement emphasis was laid, strongly laid, on the fact that a *change in the policy of the Federal Reserve Board had been brought about;* that the rediscount rate had been *forced down*, and it was intimated that it *would be forced still further down.* * * *

"A week's delay meant that the Federal Reserve Board could come into court, say, with cleaner hands. Likewise it would not be the disposition of the investigating committee, we may assume, to press the board too hard. provided that before the hearing it held, let us say, definite promises from the board that it was already quietly correcting some major abuses and could show, forsooth, that—

"(a) It had ordered a return in the Atlanta district of the usurious graduated charges made last winter.

"(b) That it had abandoned the graduated rates entirely.

"(c) That it was not now coercing State banks.

"(d) That it would no longer compel indiscriminate liquidation, etc.

"(e) That it had given orders for liberality in financing this season's crops.

"Instantly, we may say, following news that there would be a congressional investigation, the board drew over its lion's skin the mantle of a lamb. It would not be able to answer Mr. Williams on the date originally set for the hearing, it averred, but it could a week later.

"This significant fact stands out: *Mr. Williams, reinforced by public opinion from all over the United States, had scored a tremendous victory before he even took the witness stand. His Augusta speech had forced the issue.*

"Rather than meet it, the board hurriedly and drastically reversed itself all along the line. It (a) saw that rediscount rates were cut; (b) abandoned the system of graduated rates; (c) receded from drastic liquidation of farm products, urging the various reserve banks to be liberal hereafter and not to force on the market commodities for which only ruinous prices could be got.

"If it had not done these things the personnel of the board would have dissolved and a new board, responsive to common sense and public opinion, would have sat in its place. * * *

"The comment of one Congressman on the situation is very enlightening. 'If you accuse the board,' he says, 'of having brought about this great debacle, the members deny that they are in any way responsible. But if you congratulate the board on having knocked the bottom out of the markets and on having raised the gold reserve ratio to a point that is in itself a national scandal, they one and all take off their hats, bow solemnly and say, "We thank you; we did it."'"

RICHMOND, VA., *May 26, 1922.*

M. B. WELLBORN, Esq.,
Governor Federal Reserve Bank of Atlanta.

DEAR GOVERNOR WELLBORN: Some one has sent me a clipping from the Mobile Register of the 20th instant containing what purports to be copious extracts from a speech made by you before the Alabama Bankers' Association, devoted in large part to the defense of the management and policies of the Federal reserve system. The newspaper report quotes you as saying:

"I have attended all the conferences of both governors and chairmen with the Federal Reserve Board at Washington," and that, therefore, you feel that you are "pretty thoroughly posted regarding the policies of the Federal reserve system ever since it began operations."

Your alleged address contains a number of sweeping statements which are exceedingly misleading and directly contrary to the record and official figures; but I shall not go into them all in this letter. My purpose at the moment is to deal with a particular statement, as to the accuracy of which you boldly challenged criticism.

As you very well know, I am not and have not been a critic of the Federal reserve system, but I am a critic of the administration of that system, and I have denounced its erroneous policies, its extravagance, and its mismanagement, and I think I have proved all of my charges.

Although your challenge is not, therefore, directed to me, I shall accept it. The particular statement which you challenge critics of the reserve system to refute was this:

"In view of the fact that the reserve banks extended their accommodations to member banks around $1,000,000,000 from January 1, 1920, to January 1, 1921, who has the temerity to say that there was a constriction of currency or restriction of credit? I challenge the severest critic of the Federal reserve system to successfully refute this statement."

I deny your statement that the reserve banks "extended their accommodations to member ranks around $1,000,000,000 from January 1, 1920, to January 1, 1921," and in support of this denial I give you the following figures, taken from the official bulletin published by the Federal Reserve Board:

Total amount of bills discounted and bought paper held by all 12 reserve banks January 2, 1920	$2,805,818,000
Total amount of bills discounted and bought paper held by all 12 reserve banks December 30, 1920	2,974,836,000
The actual increase for the period mentioned by you therefore was	169,018,000

and not "$1,000,000,000," or even approximately, or "around $1,000,000,000." If these official figures, taken from the Federal Reserve Board Bulletin, are correct, your statement is grossly incorrect and misleading, and I respectfully ask that you inform me whether you have been correctly quoted by the newspaper. If you have been correctly quoted I ask that you give me the official figures to corroborate your claim that there was an expansion of "around $1,000,000,000" in the period mentioned, and give me the source of your authority.

The dates which I have given above in the first instance was "January 2, 1920," instead of "January 1, 1920," and in the second instance I give "December 30, 1920," instead of "January 1, 1921," for the reason that the Federal Reserve Bulletin publishes the figures at the close of each week, and I have not the exact figures for the precise dates you mention; but the difference of a day or two will make no material change.

The statements made in your address, as quoted in the newspaper, indicate that your remarks and claims apply to the Federal reserve system, and not only to a Federal reserve bank. How far you intend your sweeping statements to cover other Federal reserve banks I do not know; but a speech made by Representative SWING in the House of Representatives on May 23, 1922, which I have just read in the CONGRESSIONAL RECORD, suggests how matters were handled in the twelfth Federal reserve district. Congressman SWING said:

"I can not understand how men can continue to deny that the deflation policy adopted by the Federal Reserve Board was not deliberately aimed at the farmers of this country. I was present at a meeting of the bankers of southern California, held at El Centro, in my district, in the middle of November, 1920, when W. A. Day, then deputy governor of the Federal Reserve Bank of San Francisco, spoke for the Federal reserve bank and delivered the message which he said he was sent there to deliver. He told the bankers there assembled that they were not to loan to any farmer any money for the purpose of enabling the farmer to hold any of his crops beyond harvest time. If they did he said the Federal reserve bank would refuse to rediscount a single piece of paper taken on such a transaction. He declared that all the farmers should sell all of their crops at harvest time, unless they had money of their own to finance them, as the Federal reserve bank would do nothing toward helping the farmers hold back any part of their crop, no matter what the condition of the market.

"Mr. COOPER of Wisconsin. Did the gentleman from California hear that?

"Mr. SWING. I did. * * *

"The Federal reserve bank deliberately set out to 'bear' the market. They succeeded so well that they broke the market; not only broke the market but broke the farmers as well. We there saw the strange spectacle of the farmer citizens of this country being ruined by being forced to sell their products on a glutted market at less than what it cost to grow them, as a direct result of a policy adopted by their own Government, a Government created to aid them, not to harass them. I say it was criminal, it was damnable for this all-powerful agency of our Government to deliberately crucify the farmers of this country." * * *

It is unnecessary for me to express here an opinion on the question related by Judge SWING, the Congressman from California, or on the policies prevalent in that district. My views on the administration of the Federal reserve system are well known to you.

Before closing this letter, however, there is another statement in your speech, as reported, to which I must take exception. You are quoted as saying:

"So far as the farmers were concerned, we at no time denied them credit. Our officers and directors recognize that agriculture is foremost of all industries in this district, and consequently we have ever been watchful of the needs of the smaller member banks which serve directly the farming interests. In the summer of 1920, when the progressive rates were in effect, we took the precaution to exempt from the operations of the progressive-rate schedule borrowings of member banks on paper the proceeds of which were used for agricultural purposes. This action on our part gave our member banks ample credit to take care of their agricultural customers to the fullest extent. I desire to call your attention to the sympathetic attitude of our board of directors to the farming interests."

Despite this statement, which you are quoted as making at Mobile to the Alabama Bankers' Association, the official records show that in September, 1920, in making advances to a small country bank in Alabama, whose loans were nearly all to farmers and live-stock raisers, you not only did not exempt from the operation of the progressive rate farmers' paper but you charged for the accommodations granted to that bank interest as high as 8½ per cent on a portion of its loans—the average interest charged for the use of about $112,000 for the last two weeks in September being about 40 per cent.

The statement made in your address at Mobile that you "took the precaution to exempt from the operations of the progressive-rate schedule borrowings of member banks on paper the proceeds of which were used for agricultural purposes" impresses me as being inconsistent with a statement which you made to Governor Harding in a letter dated February 21, 1921, in which you said, categorically, that the exemption of farmers' paper from the normal line and the progressive-rate schedule "was being granted only to the extent of the capital and surplus of the borrowing bank."

The capital of that small bank was $25,000, and, according to the official figures, it appears that you were good enough to let them have about $2,765 at the rate of about 6 per cent per annum; but as the bank found it necessary to borrow something over $110,000 to meet the urgent needs of its customers, principally farmers, you exacted for the next $34,000 in excess of $2,765, which the bank had to have, an average of about 21 per cent.

For the next $27,000 which the bank had to borrow the bank was required to pay for some of the money as high as 50 per cent—an average of about 40 per cent per annum.

For the next $34,000 with which the reserve bank accommodated this little country bank it demanded and received an average of over 60 per cent, for a portion of the funds exacted 75 per cent, and for the last $7,000 or $8,000 gotten at that time the bank paid an average of over 80 per cent per annum; for a portion of the money they actually paid 87½ per cent.

Is this, may I ask, an illustration of what the newspaper report states that you described to the bankers at Mobile as "the sympathetic attitude of our board of directors"?

I do not think you will deny these figures.

In letters addressed to the Federal Reserve Board and in public addresses, I demanded early in 1921 that these unconscionable and barbarous rates exacted from farmers and business men by reserve banks be refunded to them, and I understand that pursuant to my demands and warnings the Reserve Board did pass a resolution authorizing certain reserve banks to make restitution of interest exacted in excess of 10 per cent or 12 per cent. The official records show that resolutions offered by me in the Reserve Board in February, 1921, to prevent the exaction of interest in excess of 10 per cent by reserve banks were voted down by my colleagues.

Later on, after public attention had been called to these abuses and exactions, the progressive interest rate was abolished in reserve banks in which it was still in force.

I think it due to you that I should state here that the efforts of the Federal Reserve Bank of Atlanta in the summer of 1920 to adopt a more liberal policy toward its member banks were frustrated and prevented by the refusal of the Federal Reserve Board itself to act favorably upon recommendations looking toward a more liberal policy which were made to the Reserve Board by the officers and directors of the Federal Reserve Bank of Atlanta.

I hope to receive a prompt reply to this letter, in which I have directed your attention to the very misleading and incorrect statements which you, the governor of the Federal Reserve Bank of Atlanta, are reported to have made before the Alabama Bankers' Association at their recent meeting.

If you have been incorrectly quoted, I respectfully submit that you owe it to yourself to make public correction. But if you have made the statements attributed to you by the newspapers to which I have referred, I must denounce the utterances referred to as misleading, incorrect, and contrary to the official records accessible to you, and call upon you as the governor of the Federal Reserve Bank of Atlanta to give your authority for the statements so wholly unjustifiable.

It is a very serious thing for you to inform the public that between two certain dates the Federal reserve banks granted an increase in accommodations of "around $1,000,000,000" if official records available and presumably familiar to you show that the expansion referred to was scarcely one-sixth of the amount stated by you if you do not exempt "bought paper," or even if you exempt "bought paper" for the period indicated the aggregate increase was scarcely one-half of the amount that you represented it to have been. I am wondering what excuse you will offer for such a glaring discrepancy in the presentation of deeply important and significant figures.

Until you shall have had a reasonable opportunity to advise me as to whether the newspaper reports of your speech are correct, I shall prefer to assume that you have been incorrectly quoted and did not make the statements contained in the article.

Awaiting your reply, I remain,

Very truly yours,

JOHN SKELTON WILLIAMS.

—

FEDERAL RESERVE BANK OF ATLANTA,
OFFICE OF GOVERNOR,
June 1, 1922.

JOHN SKELTON WILLIAMS, Esq.,
Care of Richmond Trust Co., Richmond, Va.

DEAR MR. WILLIAMS: Replying to your letter of May 26, I wish to say that I am surprised to note that you criticize the Federal Reserve Bank of Atlanta for the effect of the operation of its progressive rate schedule in the autumn of 1920, for the reason that you, as a member of the Federal Reserve Board, were present at the meeting of the board on May 28, 1920, when these rates were approved by that body; and you did not vote against our bank's putting them into effect. Again, on August 31, 1920, when the Atlanta Reserve Bank sought to abolish the progressive rates, you attended the meeting at which the board declined to permit us to do so; and you did not then vote in favor of allowing us to terminate the operation of this progressive rate schedule. Thus you not only took part in the meeting where the rates were approved which you now so loudly condemn but you also took part in the meeting of the board where that body refused to allow us to get from under those very rates, for which you now so severely criticize us. On the contrary, you held us chained to the rocks, to be preyed upon later by yourself and other critics. I contend that you can not now escape from the responsibilities of your actions while you were a member of the board, but are bound to assume all mistakes—if any—where you participated in its deliberations.

I want to impress the fact upon you that the meeting of the Federal Reserve Board on this question which you attended was held on August 31, 1920, this being several weeks prior to the time the high progressive rate was charged the Alabama bank to which you refer. Had you then, by official action, heeded the request of the Atlanta Reserve Bank to abolish the progressive rates, the incident of the Alabama bank—which you so frequently refer to as the "horrible example"—would never have occurred. Therefore, it seems to me that, in view of your official actions at that time, it is improper for you to now parade this matter and endeavor to make capital out of it in order to work up a plausible case against the Federal Reserve Board and the Atlanta Reserve Bank. The record is so clear as to your participation in this "awful crime" that I think the officers and directors of the Atlanta bank might well exclaim with Cæsar "Et tu, Brute!" and with Brutus, "This was the most unkindest cut of all." Your record in these matters was published in the report of the hearings before the Joint Commission of Agricultural Inquiry in August, 1921.

In referring to my address delivered at Mobile on May 19, 1922, you take exception to the following statement: "In view of the fact that the reserve banks *extended their accommodations* to member banks around $1,000,000,000 from January 1, 1920, to January 1, 1921, who has the temerity to say that there was a contraction of currency or a restriction of credit?" Preceding that statement, I showed that there was an increase of approximately $328,000,000 in Federal reserve notes during the period between January 1, 1920, and January 1, 1921. The only correction I wish to make in any figures which I gave is this: I should have said that the Federal reserve banks extended accommodations to their members around *three* billion dollars instead of *one* billion. Your own figures bear me out in this. I beg that you will note carefully that I used the word "extended" and neither the word "increased" nor the word "expanded," as you seem to have understood from your criticism. These last two words were not used by me at all in the parts of my address you quote.

The figures I have from the Federal Reserve Board show an expansion of $472,000,000 in discounts for the year 1920. This in itself conclusively shows that there was no contraction of loans, but, on the contrary, a very large increase.

Permit me to again refer to your record when, as Comptroller of the Currency, on December 6, 1920, your official report to Congress reads in part as follows: "Largely through the aid and excellent functioning of the Federal reserve system, the business and banking interests of the country have passed successfully through the perils of inflation and the strain and losses of deflation without panic and without the demoralization which has been produced in the past at various times from far less serious and racking causes. Those banking and other interests which, at the outset, so vigorously opposed the Federal reserve system are now among its warmest advocates."

In your letter to me you say that you are not a critic of the Federal reserve system, but that you *are* a critic of the *administration* of that system. Really I am at a loss to understand your attitude, for, as I have shown in the beginning of this letter, you criticize and condemn a Federal reserve bank for the operation of the progressive rate schedule in the case of a small Alabama bank; and yet, as I have pointed out, it appears clearly from your official record that you not only approved those rates when they were adopted but you later refused to vote to allow the Atlanta bank to discontinue them when the hardships which their continued application would entail had become increasingly manifest.

In the above quotation from your report to Congress you speak of "the excellent functioning of the Federal reserve system." If you meant what you then wrote, it seems to me that this statement constitutes a strong indorsement of the *administration* of the system. Permit me to call your attention to the fact that this was written immediately after the crisis of 1920, at a time when all events were fresh in your mind and you were best able to make a calm survey of the situation. What has caused your radical change of view I am unable to comprehend.

I still maintain that our board displayed a sympathetic attitude toward the farming interests, as shown by its action in exempting from the operation of the progressive rate schedule borrowings, up to the capital and surplus, of member banks on paper the proceeds of which were used for agricultural purposes. In my address at Mobile I regret to say that the words "up to the capital and surplus" were inadvertently omitted.

Very truly yours,

M. B. WELLBORN, *Governor.*

FEDERAL RESERVE BANK OF ATLANTA,
June 20, 1922.

Mr. JOHN SKELTON WILLIAMS,
Richmond, Va.

DEAR MR. WILLIAMS: This is to acknowledge receipt of your letter of June 10.

It is my opinion that this communication requires no answer. I simply wish to close the correspondence between us by making the statement that the keynote of my Mobile speech is to be found in the following words: "There was no deflation of Federal reserve bank credits nor any diminution of Federal reserve notes for the period of the tremendous fall of prices in agricultural products which took place in 1920." I do not believe that this statement can be successfully assailed.

In your letter you are at particular pains to lay stress upon the question as to whether or not you were present at the meeting of the Federal Reserve Board on August 31, 1920. I accept your explanation for what you intended it to be, and I am sure that you much regret by now not paying closer attention to your duties as a member of the Federal Reserve Board during the crisis which developed in the autumn of 1920. Surely, by virtue of your official position, you were then much more able to be of assistance to the economically oppressed of the country than you are in your present situation.

I have heard you upon occasion chastise verbally directors of banks when their sole fault was a failure to find out what was going on in the institution with which they were connected. Consistency demands that you now apply just as stringent a rule to your own conduct in the fall of 1920. The Atlanta bank was at that time endeavoring, by every means in its power, to secure the abolishment of the progressive rates. We must surely be given credit for our foresight in sounding the alarm. I believe that we were the only reserve bank which recommended the discontinuance of the progressive rates at that time. Perhaps if you had kept up more closely with the doings of the Federal Reserve Board the famous Alabama case, of which you so persistently complain, would never have occurred. Who, if anyone, is to be blamed for what happened? Surely not the Atlanta bank, and you yourself, being a member of the Federal Reserve Board, can not escape responsibility for its actions.

Very truly yours,

M. B. WELLBORN, *Governor.*

—

RICHMOND, VA., *June 24, 1922.*

Mr. M. B. WELLBORN,
Governor Federal Reserve Bank of Atlanta.

DEAR GOVERNOR WELLBORN: I have your letter of the 20th instant.

You are decidedly mistaken in your assumption when you say:

"I am sure that you [I] must regret by now not paying closer attention to your [my] duties as a member of the reserve board during the crisis which developed in the autumn of 1920. Surely by virtue of your official position you were then much more able to be of assistance to the economically oppressed of the country than you are in your present situation."

I have no apologies or regrets whatsoever to offer in that connection, for no duties were ever shirked by me either as a member of the board or as the Comptroller of the Currency. The record will bear out this plain statement.

Page 172 of the hearings before the Joint Commission of Agricultural Inquiry shows that I was present during the whole or part of 851 of the 1,283 meetings of the reserve board held from August 10, 1914, to March 2, 1921.

In my address at Washington April 15, 1921, before the People's Reconstruction League, in speaking of my occasional absence from meetings of the board when so much time was wasted in trivial discussion while important matters were overlooked or sidetracked, I said:

"I really felt that I could employ my time more usefully than in attending board palavers and in listening to discursive discussions, beginning nowhere and ending in precisely the same place, conducted by eminent gentlemen."

Incidentally I am reminded of a witticism of a distinguished member of the Cabinet, who, when he heard that soon after the organization of the board much valuable time had been dissipated on different occasions by some of the members—informally, of course—in discussing where they should be placed at public receptions and what the position of the board members was compared with other public functionaries in Washington, remarked that in his opinion members of the Federal Reserve Board ought to be allowed to march *immediately after the "fire department."* That, for the time being, had the effect of putting a quietus upon the social soarings of some of my esteemed and ambitious colleagues. Subsequent events, however, suggest that members of the Federal Reserve Board, responsible for certain deadly policies, might, with some propriety, come some distance after any department of the Government whose energies were devoted to the preservation rather than the destruction of property and life.

In a previous letter you referred to my testimony before the Joint Commission on Agricultural Inquiry in August, 1921. Possibly you have not read carefully the whole of my testimony at that time. If you had done so, you would have realized that the record shows that I expostulated and protested repeatedly against the unwise policies of the board and urged change and reformation. If I had been present at the board meeting of August 31, 1920, you allude to, I have not the slightest idea that with the board composed as it was then that my protest against a continuance of the Atlanta bank's progressive rate would have availed. As a matter of fact, at a meeting of the board earlier in the same month I had urged a liberalization of its policies, but my arguments and remonstrances were in vain.

I will remind you of the following statement, made by me before the Joint Commission on Agricultural Inquiry in August last, showing my attitude in the matter of the progressive rates charged by certain reserve banks:

"I did approve of the theory of some increase on excessive loans, but it never entered my mind, in discussing the question of progressive rates, that any such increases as those exacted subsequently would ever be considered for a moment or ever be tolerated, or if the rules ever produced such rates, that they would not be immediately modified. * * *

"I do not recall whether I was present at the particular meeting of the board which took that action, but you may assume that I was. But if I did vote for it, I never contemplated for an instant that it could be so distorted and abused. The main point is, *when I found out how it was being mismanaged, I tried immediately to do away with it.*"

As to your statement that as a member of the board I was then in a position to be of more assistance to the "economically oppressed" than in my "present situation," I think the record will probably show that I have been able to accomplish more in this particular matter by influencing public opinion, as I have tried to do, from outside of the board than I was by direct appeals to my colleagues while a member of the board. On this point I shall take the liberty of quoting the following extract from an editorial which appeared in the Manufacturers' Record of August 11, 1921. It refers to certain things that happened in Washington shortly after my address to the Georgia Press Association, in which I had felt it my duty to expose and criticize what I considered to be errors and abuses in the administration of the reserve system and demanded a change:

"It had been arranged that Mr. Williams should testify before the joint committee of the two Houses, now investigating agricultural conditions, on Tuesday, July 26, and Mr. Williams was in Washington prepared to go on the stand. He was informed that a postponement until the following Tuesday had been decided on.

"During the intervening week there were some spectacular events filled with meaning. The White House, for instance, gave out a statement intended to show the accomplishments of the administration to date. In that statement emphasis was laid, strongly laid, on the fact that a change in the policy of the Federal Reserve Board had been brought about; that the rediscount rate had been forced down, and it was intimated that it would be forced still further down. * * *

"A week's delay meant that the Federal Reserve Board could come into court, say, with cleaner hands. Likewise, it would not be the disposition of the investigating committee, we may assume, to press the board too hard, provided that before the hearing it held, let us say, definite promises from the board that it was already quietly correcting some major abuses and could show, forsooth, that—

"(a) It had ordered a return in the Atlanta district of the usurious graduated charges made last winter;

"(b) That it had abandoned the graduated rates entirely;

"(c) That it was not now coercing State banks;

"(d) That it would no longer compel indiscriminate liquidation, etc.; and

"(e) That it had given orders for liberality in financing this season's crops.

"Instantly, we may say, following news that there would be a congressional investigation, the board drew over its lion's skin the mantle of a lamb. It would not be able to answer

Mr. Williams on the date originally set for the hearing, it averred, but it could a week later.

"*This significant fact stands out: Mr. Williams, reinforced by public opinion from all over the United States, had scored a tremendous victory before he even took the witness stand. His Augusta speech had forced the issue. Rather than meet it, the board hurriedly and drastically reversed itself all along the line. It (a) saw that rediscount rates were cut; (b) abandoned the system of graduated rates; (c) receded from drastic liquidation of farm products, urging the various reserve banks to be liberal hereafter and not to force on the market commodities for which only ruinous prices could be got. If it had not done these things, the personnel of the board would have dissolved and a new board, responsive to common sense and public opinion, would have sat in its place.*"

You say that you have heard me upon occasion criticize "directors of banks when their sole fault was a failure to find out what was going on in the institution with which they were connected," and you remark, "Consistency demands that you now apply just as stringent a rule to your own conduct in the fall of 1920." I am quite willing to apply such a rule. I had obtained information in regard to mistakes of management and abuses which I endeavored earnestly to correct, but yet there *appeared to be, at times, a studied effort to keep from me information upon matters which my colleagues, or some of them, knew or thought I would not approve.* I invite your attention to the following extract from my letter to Senator OVERMAN of December 2, 1921:

"The people of the country have unfortunately been kept in ignorance of scandalous conditions upon which the light of publicity has now been thrown. While Comptroller of the Currency and member ex officio of the reserve board, I tried earnestly and persistently, as the record clearly shows, to correct evils and to effect reforms as I learned of the necessity for them, but I have reason to believe that there was a studied effort at times to keep from me a knowledge of such things. Referring to certain errors, omissions, and operations in connection with which the New York Reserve Bank had been criticized Governor Strong, of that bank, in testifying before the Agricultural Commission in Washington, on August 9, 1921, *with ostrich-like assurance declared, 'Now, the comptroller (Mr. Williams) did not know anything about these things.'*

"'He was not running the Federal Reserve Bank of New York. And I never discovered anything in his attitude that invited very frank discussion of these matters, and did not consider that it was very much of his business.'" (P. 709, Agricultural Inquiry Hearings.)

You refer to the board's balking the efforts of the Atlanta bank for permission to deal more liberally with member banks. You know, for I have had occasion to inform you on more than one occasion, that I endeavored to persuade the board to give the Reserve Bank of Atlanta permission to deal more fairly with its members, especially in the matters of loans on Government bonds, and you yourself have more than once expressed your appreciation of the assistance which I endeavored to render you.

I should, indeed, be filled with regret if I should imagine that an additional remonstrance from me which would have been effective in preventing the imposition of the cruel and unusual rates inflicted by the Atlanta bank under its progressive rate plan was not given.

But there is no reason to believe that such a request from me at the time you speak of would have been any more effective than those which I had already made so earnestly. As to the attitude of the board in those days, let me remind you of the suggestion quoted by an eminent member of the board at that time with seeming approval, and which was referred to in my speech at Augusta in July last, that "it was better to be unanimous than right," surely a sordid parody on the utterance of the great American statesman who declared that he had "rather be right than President."

Let me say in conclusion that if you knew all of the facts of the case you would probably agree that the then Comptroller of the Currency was a truer friend of the Federal Reserve Bank of Atlanta and of that district than any other member of the board. I not only voted in 1914 as a member of the original organization committee (the other two members being the Secretary of the Treasury and the Secretary of Agriculture) to locate the bank in Atlanta, but I interposed earnestly to check or prevent movements which were started several times for the abolition or removal of the Atlanta Reserve Bank, while the governor of the board, the only other southern man on the board, impressed me as being not only unsympathetic with the Atlanta bank but I might say at times hostile to it.

The official records of the board, if they have not been destroyed, will throw an interesting light on the efforts of certain members of the board to abolish three or four of our reserve banks. I have in my possession an important document bearing on that subject which will make interesting reading for a good many people if it should be made public.

Yours very truly,

JOHN SKELTON WILLIAMS.

—

JUNE 29, 1922.

M. B. WELLBORN, ESQ.,
Governor Federal Reserve Bank of Atlanta.

DEAR GOVERNOR WELLBORN: I have your letter of the 26th[1] instant and I am glad to know that you do appreciate my work at Washington.

I thought it a little strange that you should seem to reproach me for neglect of duty, but I did not permit your taunt to disturb my equanimity, for, in the language of the bard whom you quoted in your letter of the 1st instant, I felt that my position was so impregnable that I could afford to let your criticism "pass me by as the idle wind, which I regard not."

If the Comptroller of the Currency had been negligent of his duties we would hardly have had the record which was shown in 1919 of 8,000 national banks under supervision, with 20,000,000 depositors and twenty billions of resources and not one dollar of loss to any depositor by the failure of a national bank in the entire country for that whole year.

With my best wishes for yourself personally and for the Federal Reserve Bank of Atlanta and our great Federal reserve system as well, I remain,

Sincerely yours,

JOHN SKELTON WILLIAMS.

—

FEDERAL RESERVE BANK OF ATLANTA,
OFFICE OF THE GOVERNOR,
July 3, 1922.

HON. JOHN SKELTON WILLIAMS,
Richmond, Va.

DEAR MR. WILLIAMS: I am in receipt of the pamphlet printed by you and containing in full your reply to my letter of June 1, which was itself not accorded the privilege of publication. Without consulting me on the subject at all you have taken it upon yourself to reproduce garbled extracts from my letter, which procedure I regard as being unfair to me and unethical on your part. In fact, no similar example of a correspondent's taking advantage of another in this fashion has ever come to my notice. Evidently you are reluctant to allow my letter to appear side by side with yours, that an impartial reader might judge between us with full knowledge of the facts of the case and with the arguments for both sides presented for his consideration.

The whole business suggests to me nothing so much as a boxing match supposed to be held between two fair and upright opponents, where immediately after the sound of the gong one boxer strikes the other a foul blow beneath the belt. I believe that your action would be so regarded by any fair-minded referee. I marvel how you can reconcile such tactics with the clear conscience you so continually profess.

Very truly yours,

M. B. WELLBORN, *Governor.*

—

RICHMOND, VA., *July 15, 1922.*

Mr. M. B. WELLBORN,
Governor Federal Reserve Bank of Atlanta.

DEAR SIR: Absence from Richmond prevented an earlier acknowledgment of your letter of July 3, in which you complain bitterly that I should have given publicity to my letter to you of June 10, which, I frankly admit, is a severe and, I believe, an unanswerable indictment of yourself and certain others in the management of our Federal reserve system.

My letter referred to was official and not personal. You apparently regarded it as unanswerable, for after contemplating it for more than a week you wrote me on June 20:

"This is to acknowledge receipt of your letter of June 10. It is my opinion that this communication requires no answer." * * *

You did not in your letter attempt to deny or refute a single charge or statement contained in my letter. But after asserting

[1] The letter here referred to was a letter dated June 26, 1822, from Governor Wellborn, marked "Personal," strongly commending Mr. Williams for his work both as Comptroller of the Currency and member of the Federal Reserve Board, which Mr. Wellborn in a subsequent letter besought Mr. Williams not to make public.

in your reply that during a certain portion of the period of falling prices Federal reserve credits and notes did not decline you offered the suggestion that I probably regretted that I did not pay closer attention to matters in the Federal Reserve Board while I was a member of that body, and after commenting that I ought to have been better posted as to what was taking place in the board you again suggested that the reserve board and not the Atlanta Reserve Bank should be blamed for the monstrous interest rates exacted in your district.

I answered your letter of June 20 on June 24, called your attention to the fact that I had been present at the whole or part of 851 of the 1,283 meetings of the board while I was a member of it, informed you that I had no apologies or regrets whatsoever to offer as far as I was concerned, as no duties had ever been shirked by me as a member of the board or as the Comptroller of the Currency. The records of the comptroller's office, which show that for the year 1919, with 8,000 national banks under my supervision and with over twenty billions of resources, there was not one dollar's loss to any one of the 20,000,000 depositors from a failed bank, do not suggest negligence there.

You acknowledged my letter of June 24 on June 26, 16 days after my letter of June 10 had been written, and you still not only did not challenge or deny a single one of the charges contained in my letter of June 10, to which you now suddenly object, because it has been made public, but you very courteously informed me that you "have never let an opportunity pass to speak highly of your [my] work as comptroller and as a member of the board." And you also declared that you "want you [me] to know that I [you] fully appreciate all the good things you [I] did at Washington."

My letter to you of June 10 was written 23 days before your letter of July 3, in which, for the first time, you claim that it does you an injustice, although you do not show how, and you intimate that it deals you a blow "beneath the belt," which is untrue.

On the first page of my published letter of June 10 I summarized correctly the reply which you made under date of June 1 concerning the flagrant errors contained in your Mobile speech, to which I had called your attention in my letter of May 26. *I challenge you now to point out, specifically, any expressions or statements made by me in the letter you criticize which you claim gives an incorrect interpretation of your statements.*

Among the charges contained in my letter to you of June 10, which you did not deny and can not refute, I remind you of the following:

"In giving widespread circulation, as I am informed you did, to the speech of the Senator above referred to, who had been so gravely misled by some one, you have placed yourself in a serious position. Obviously, the Senator who made that speech had been deceived by unworthy informants—had he been better informed he would not have made such statements—but you had not been deceived. *You knew officially that vital statements in the speech of the Senator referred to were untrue, and yet you gave widespread currency to them.*"

In commenting upon your admission that certain statements in your Mobile speech were inaccurate, I said:

"It seems to me the error is so considerable as to impair very seriously the credibility of any assertions on this subject you may present."

Referring to the exorbitant interest rates exacted by the reserve bank of which you are governor, I said:

"The official records show that you exacted, sir, in the guise of 'interest' from the small country bank referred to, *an average of over 69 per cent per annum on over $50,000*, a rate more than *six times as great as the maximum charged by the government banks of any other civilized country on earth*, during that period, or at any time, as far as I have been able to discover, and you now have the effrontery to boast of the 'sympathetic attitude' of Federal reserve officials toward farmers and other borrowers!

"*I am sure you will not deny these figures. If you do, I shall have to confront you with your own signed confession that you did exact the inhuman interest rates stated by me.*"

You now take exception to my publication of my letter to you of June 10, which was wholly official and which I, having a special knowledge of the facts in the case, addressed to you in the public interest; although it was not published until after I had received your letter acknowledging its receipt and saying that in your opinion it "requires no answer."

You suggest in your letter of July 3 that I am "reluctant" to allow your letter to appear side by side with mine. You are again wrong. This is an important subject and one upon which I think the public ought to be fully posted. Therefore I now inform you that if it meets with your approval I shall be pleased to make public, at once, our entire correspondence on this subject beginning with my letter to you of May 26, including your letters to me of June 1, 20, and July 3, and my letters to you of June 10, 24, 29, and July 15, and your brief personal letter of June 26, as you declared to me in that letter that you "have never let an opportunity pass" to commend my work as Comptroller of the Currency and as a member of the Federal Reserve Board during all those years, up to the present time. That generous assurance of what you sincerely thought and publicly expressed was presumably not a confidential communication.

If you really think an omission to make public your letter of June 1 is unfair to you—although I specifically offered on the first page of my letter as printed to send complete copies of it to anyone desiring it—and you desire the correspondence mentioned to be made public, I shall be pleased to have you telegraph me upon receipt of this letter and I will proceed accordingly.

Yours very truly, JOHN SKELTON WILLIAMS.

FEDERAL RESERVE BANK OF ATLANTA,
OFFICE OF GOVERNOR,
July 17, 1922.

Mr. JOHN SKELTON WILLIAMS,
Richmond, Va.

DEAR SIR: I have your letter of July 15, and must say that I admit few of your statements as true.

You evidently intend this last letter for publication, inasmuch as you quote freely therein from a personal letter of mine to you under date of June 26, a thing which you had absolutely no right to do. This letter was, of course, intended to be regarded as confidential, as I endeavored to indicate by marking it "personal," writing it in my own handwriting, and not signing it officially. This letter was not intended to have any direct connection with the subject matter of our previous official correspondence. The commendation of your services as comptroller and as a member of the Federal Reserve Board referred, of course, to the time previous to the autumn of 1920. Your conduct at that time, and subsequently, I had criticized in my official correspondence with you. I found fault with you for failing to do then what you since have so vociferously reproached the board for failing to do at the same time, while you were a member of that body, in connection with the abolishment of the progressive rates.

I feel that I must, therefore, decline to allow you to publish my personal and confidential letter to you of June 26, or any extracts therefrom. This letter, as I have already pointed out, was written after our official correspondence had already been terminated. Since you have taken the unwarrantable liberty of publishing your entire letter in a pamphlet with only garbled excerpts from mine, I feel that I am justified in making the statement that you acted wrongly in lending yourself to such a one-sided publication. As you have shown yourself to be unfair and unreliable in preparing materials for publication, I can not bring myself to give you authorization for any further activities along this line. The publication of the pamphlet you have already brought out is so palpable a breach of the proprieties and such a gross violation of the ethics I have always understood to apply in such cases, that I must herewith decline to have any further correspondence—personal or official—with you.

Very truly yours,

M. B. WELLBORN.

RICHMOND, VA., *July 22, 1922.*

Mr. M. B. WELLBORN,
Governor Federal Reserve Bank, Atlanta, Ga.

DEAR SIR: On or about May 20, 1922, you made an address before a convention of bankers at Mobile in which, in attempting to defend the mismanagement of the Federal reserve system, you made certain statements which were so far from the truth, as I know it to be, that I wrote you on May 26 directing attention to their incorrectness and asking whether the newspaper which printed your speech had quoted you correctly.

You replied June 1 in a brief letter and admitted that both of your statements to which I had referred were inaccurate, but you then sought to draw attention from your own errors by reverting to the charge I had previously made against your bank for the exaction of inhuman interest rates. You charged that it was the Federal Reserve *Board* which had held you (Atlanta Reserve Bank) "*chained to the rocks to be preyed upon*," and that I, as a member of the reserve board, shared its responsibility. Incidentally let me mention here that the

Federal Reserve Board held *three other* Federal reserve banks in the West and South, as you express it concerning the Atlanta bank, "chained to the rock" of "progressive" rates for *many months after* I had offered resolutions in the board to abolish those unconscionable rates and reduce the maximum to 6 per cent, and when the board refused I asked that they limit them to 10 per cent instead of 20, 30 per cent, or higher, but my resolutions were promptly voted down by the reserve board, although at that very time two big banks in New York City were being favored with $250,000,000 of Federal reserve funds at about 6 per cent.

You also in your letter of June 1 charged that as I had at one time praised the workings of the reserve system, I was estopped from criticizing.

In my reply to you on June 10, written in reply to yours of June 1, I went into the facts of the case in some detail, exposed further errors and delinquencies in the management of the reserve banks, established the correctness of my criticisms, and defied you to deny specifically my charges. I offered to prove by your own written confession the exaction by your bank of extortionate interest rates, running up to as high as 87½ per cent per annum. I then waited for your reply, which you sent under date of June 20.

In your answer of June 20 you did not deny a single one of my charges, but being, it seemed to me, cornered as you were, you declared that you did not think my letter required an answer. You added that you presumed I regretted that when I was a member of the reserve board I had not paid closer attention to preventing or relieving the "economically oppressed," and suggested that I should have kept up more closely with "*the doings of the Federal Reserve Board.*"

I replied to you June 24 that I had no regrets on that score. I reminded you that I had responded to 851 of the 1,283 meetings of the Reserve Board, besides attending to my duties as Comptroller of the Currency, and mentioned that, as the record showed that in the 8,000 national banks under my supervision in the year 1919, with twenty billions of resources, not one of their twenty millions of depositors had lost one penny from a bank failure, I hardly thought anyone could suggest "negligence" there.

To that communication you replied June 26, in a letter marked personal, in which you did not take issue with any statement in my letters of June 10 or June 24. On the contrary, in your letter, after declaring that you wanted me to know how *fully* you appreciated all the good things I had done at Washington, you informed me, in so many words, that you had "*never let an opportunity pass to speak highly*" of my work, *both as Comptroller of the Currency and as a member of the Federal Reserve Board.* You closed the letter with further expressions of confidence and commendation.

If your declaration is true, as I, of course, assume it to be, that you have never let an opportunity pass to commend my work at Washington, there can be no possible impropriety in my quoting your apparently unqualified commendation which you tell me you have so often and so publicly proclaimed up to the time of writing your letter of June 26, 1922. I confess it did not occur to me that you intended to censure and criticize me, directly or indirectly, publicly and officially, while holding your reiteration and assurance of your frequent commendations of me under seal of confidence.

Believing that my letter of June 10 contained facts concerning the management of the reserve system which ought to be made public, and as you had not in your reply been able to deny or question a single charge, I had the letter printed, along with a brief résumé of the preceding correspondence, stating on the first page of the printed letter that I would be pleased to send complete copies of the correspondence to those desiring it. I signed and mailed you the first copy of the letter when printed.

The disastrous and humiliating conditions and evidences of mismanagement set forth in my letter of June 10 you were unable to explain away or deny. You must have realized that my charges were all true when you avoided meeting the question of their accuracy by saying they did not "require" an answer.

But when you see the indictment printed and circulated, you protest loudly that you have been given a blow "below the belt," and claim that I ought to have printed your letter of June 1 along with mine, although I had printed a correct summary of your letter on the outside of the pamphlet and had stated there that I would be pleased to send to anyone desiring them a complete copy of your letter.

After receipt of your letter of July 3, I wrote you, on July 15, that I would gladly make public our entire correspondence on this subject, including your personal letter of June 26, if you would telegraph me on receipt of my letter permitting me to do so. You wrote back, on July 17, refusing to allow me to print your personal letter of June 26, although it contains nothing except your declaration that, up to the time of writing that letter, June 26, 1922, you "*have never let an opportunity pass*" without commending my work both as a member of the reserve board and as Comptroller of the Currency, and further assurances and acknowledgements of a complimentary character to myself. But as an afterthought, you now claim that your commendations, expressed unqualifiedly as late as June 26, 1922, referred only to the first *six and one-half years* of my term of office, and not to the last *six months*, when I had occasion to criticize severely the board's deflation policies, its favoritism, etc.

I think it extremely probable that you *have*, as you had asserted so positively before I printed my letter of June 10, on various occasions commended my work at Washington. I know that you have so declared yourself personally a number of times when you called at the Treasury, and as late as *this spring*, a year *after* I had left Washington, you called at my office in Richmond with Chairman McCord, of the Atlanta Reserve Bank, and again complimented my administration as comptroller, and told me that but for my work there would have been many more bank failures than there have been in the crisis.

In my letter of July 15 I challenged you to deny specifically any one of the statements and charges embraced in this correspondence. You limit yourself in reply to the statement, which impresses me as feeble, that you "admit few of my statements as true," but you deny none of them. It is not necessary for you to "admit" them. They are established, and you can not shake them.

The publication I suggested would comply fully with the desire you have indicated to have the record put verbatim before all who may be interested in the subject. It would meet all the suggestions of unfairness on my part that you have recently presented. Yet in your letter to me of July 17, because I proposed that *nothing* be omitted, you undertake to close the correspondence with flat refusal to accept my offer to do precisely what you complained I have failed to do. You say that my publication of abstracts of and extracts from your letters to me—although you do not question the accuracy of abstracts or extracts—is unfair. When I offer to publish your letters to me in full, along with my letters to you, so that the public may have, as you said it ought to have, "full knowledge of the facts of the case," I am met with the reply that you "decline to allow" such publication.

As I have said many times, my hope in all this correspondence is to try to show that the administrators of the Federal reserve system have done precisely what they should not have done and have reversed exactly the beneficent and wise purposes of the Federal reserve act, making it for a considerable period under their misdirection an instrument of calamity instead of the means of protection and safety it was intended to be. I have been at much pains and have invited and incurred some strong antagonisms in efforts to demonstrate the fearful errors of the board and their unhappy consequences, so that neither this board nor any of its successors may repeat those errors and bring on the country like results. It is the cause of keen regret to me that I have been compelled frequently to turn aside from the main and only issue—the wisdom or unwisdom, propriety or impropriety of the reserve board's policies and management—to meet and repel baseless attacks on my motives and official conduct. These attacks really are apart from the merits of the case. I am compelled to think they were merely the familiar device of assailing the prosecuting witness in absence of evidence for successful defense; therefore it has been made necessary to uphold that witness to prevent any possible weakening of the case made by him.

In the circumstances I can not concede or recognize your right to limit publication of the correspondence between you and myself or to close the correspondence at your will, although, frankly, I have no desire to hear further from you.

Please be advised that I intend to use such proper means as I may elect to have the entire record put before the American public that it may be informed of the wrong that has been done, of the grievous mistakes, in my opinion, reaching the gravity of crimes, that have been made, with the hope that public sentiment may be so aroused to knowledge and vigilance that such wrongs and mistakes shall hereafter be impossible.

Yours very truly,

JOHN SKELTON WILLIAMS.

THE TARIFF.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7456) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes.

The PRESIDING OFFICER (Mr. SPENCER in the chair). The Secretary will state the next amendment of the committee.

The next amendment was, on page 143, after line 20, to strike out—

PAR. 1105. Top waste, slubbing waste, roving waste, and ring waste, 25 cents per pound; garnetted waste, 20 cents per pound; noils, carbonized, 20 cents per pound; noils, not carbonized, 16 cents per pound; thread or yarn waste, and all other wool wastes not specially provided for, 14 cents per pound; shoddy and wool extract, 14 cents per pound; mungo, woolen rags, and flocks, 6 cents per pound.

And in lieu thereof to insert—

PAR. 1105. Top waste, slubbing waste, roving waste, and ring waste, 33 cents per pound; garnetted waste, 26 cents per pound; noils, carbonized, 26 cents per pound; noils, not carbonized, 21 cents per pound; thread or yarn waste, and all other wool wastes not specially provided for, 18 cents per pound; shoddy and wool extract, 18 cents per pound; mungo, woolen rags, and flocks, 8 cents per pound. Wastes of the hair of the Angora goat, Cashmere goat, alpaca, and other like animals shall be dutiable at the rates provided for similar types of wool wastes.

Mr. WALSH of Massachusetts. Mr. President, in view of the fact that the rates in this paragraph are based upon the rate of 33 cents upon the clean content of raw wool, I do not feel that I ought to delay the Senate by making any serious objections to these rates. I think they are too high, as I thought the rate of 33 cents was too high; but I understand that the rates on these different wastes have some relationship to their present value in the market and to the duty of 33 cents a pound upon the clean content of wool. Under those circumstances I think it futile for me to take up the time with a long argument upon this paragraph, and I shall be content with simply making the protest and voting against the paragraph.

Mr. WILLIS. Mr. President, I desire to submit an inquiry to the Senator from Utah [Mr. SMOOT]. I have been comparing the rates proposed by the committee with the rates in the act of 1909. Of course, we know that there is a slight increase in the actual rate on the scoured pound of raw wool.

On top waste the duty in the act of 1909 was 30 cents a pound, and here we make it 33. That is all right and is consistent with the slight increase on scoured wool to which I have referred.

Now we come to the next item. In the act of 1909 shoddy is made dutiable at 25 cents a pound. The duty here is proposed to be reduced to 18 cents a pound.

The duty on woolen rags, mungo, and flocks in the act of 1909 is 10 cents a pound, and is here reduced to 8 cents a pound.

We know, of course, that those various commodities—shoddy and mungo and flocks and noils, and carbonized noils, and so forth—are used to some extent to take the place of virgin wool. What is the reason for the action of the committee in reducing the duties on those various wastes?

Mr. SMOOT. I will say to the Senator that the reason of it is because this is a more scientific schedule and the rates are based upon the actual use of the wastes and their value in making the woolen goods in which they are used. It is a very much better provision than that which was contained in the Payne-Aldrich bill.

Mr. WILLIS. The Senator sees the point I am making?

Mr. SMOOT. Yes.

Mr. WILLIS. We are increasing slightly the actual rate on raw wool, and yet we are decreasing—apparently, anyhow, and actually, I presume—the rates on mungo, flocks, wool waste, noils, and these various things that are used by way of adulteration in the manufacture of cloth and to take the place of virgin wool.

Mr. SMOOT. Of course, the duty on mungo and wool rags and flocks at 8 cents a pound is rather a high duty even to-day. For instance, take flocks: Flocks are the shearings that are taken from a piece of cloth. They are not a sixteenth of an inch long, and all they are used for at all in the manufacture of cloth is that where they have a very coarse back goods they take these flocks and put them in the puller and place them between the cloths and pull them into the cloth to make the weight.

Mr. WILLIS. I understand that; they use them for fulling and for finishing.

Mr. SMOOT. Only as fulling, and to increase the weight of the cloth by the flocks going into the woven threads in the cloth.

Mr. WILLIS. That is true of flocks, but that is not true of noils or carbonized noils or mungo or shoddy.

Mr. SMOOT. Oh, no. Of course, I will say to the Senator that top waste, slubbing waste, roving waste, and ring waste at 33 cents a pound are just as good as scoured wool and take the place of scoured wool.

Mr. WILLIS. I understand that.

Mr. SMOOT. If you can get a good ring waste or a good slubbing waste, I prefer it as a manufacturer, as far as I can use it, to a straight clean wool, because everything has been taken out of it and it is the first process of manufacture.

Mr. WILLIS. I think the action of the committee in increasing the rate on top waste and slubbing waste and roving waste to 33 cents a pound is perfectly justifiable for the reason that the Senator has just given, but I am simply inquiring why the rates on these various things to be used as substitutes and adulterants in the manufacture of cloth should be reduced.

In my own view neither the country in general, nor consumers and producers in particular, are benefited by lower rates on mungo, flocks, rags, and carbonized noils, and the possible larger importations of those materials the use of which might lower the quality of cloth manufactured and decrease the percentage of strong, new wool used.

Mr. SIMMONS. Mr. President, I am advised that these rates on wastes, and so forth, have been worked out by the Tariff Commission in conformity with the rates placed upon wool.

Mr. SMOOT. Yes; they have.

Mr. SIMMONS. And they have been found to be on a parity with those rates.

Mr. SMOOT. In the Tariff Summary, on page 960, about the middle of the page, the Tariff Commission gives a description of each of these wastes, and the basis of the rates proposed.

Mr. SIMMONS. Of course, I am opposed to these rates upon the same principle and for the same reasons that I opposed the rates upon wool; but we fought that question out yesterday, and the Senate decided it adversely to our contention, and I see no reason why we should repeat that contest here. We will content ourselves by registering our opposition to these rates, as we had to do in the other case.

Mr. SMOOT. I will assure the Senator that if the rates upon scoured wool were decreased, every one of these rates should be decreased; and they are in proportion to the 33 cents a pound on the scoured wool.

Mr. SIMMONS. That is what I understand.

Mr. WALSH of Massachusetts. Mr. President, the Senator from North Carolina has very correctly stated the attitude of the minority. These rates naturally follow the fixing by the Senate of the duty of 33 cents per pound on the clean content of wool. For comparison's sake, however, I should like to have printed in the RECORD the rates upon these various wastes as fixed in the act of 1913, the act of 1909, the House bill, and the Senate bill. I ask permission to place them in the RECORD; and of course I join with the Senator from North Carolina in protesting against these rates, as I protested against the rate of 33 cents a pound fixed in the bill yesterday.

The PRESIDING OFFICER. Without objection, the matter referred to by the Senator from Massachusetts will be printed in the RECORD.

The matter referred to is as follows:

Wool wastes.

	Act of 1913.	Act of 1909.	House bill.	Senate bill.
		Cts. per lb.	*Cts. per lb.*	*Cts. per lb.*
Top waste, slubbing waste, roving waste..	Free.	30	25	33
Garnetted waste	Free.	30	20	26
Noils, carbonized	Free.	20	20	26
Noils, uncarbonized	Free.	20	16	21
Thread waste and waste n. s. p. f.	Free.	20	14	18
Shoddy—wool extract	Free.	20	14	18
Mungo, woolen rags, and flocks	Free.	10	6	8

The PRESIDING OFFICER. The question is upon agreeing to the committee amendment.

The amendment was agreed to.

The next amendment was, on page 144, after line 12, to strike out—

PAR. 1106. Wool which has been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, and not specially provided for, including tops and roving, valued at not more than 40 cents per pound, 16⅔ cents per pound and, in addition thereto, 10 per cent ad valorem; valued at more than 40 cents per pound, 27½ cents per pound and, in addition thereto, 10 per cent ad valorem.

And in lieu thereof to insert—

PAR. 1106. Wool, and hair of the kinds provided for in this schedule, which has been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, including tops, but not further advanced than roving, not specially provided for, 36 cents per pound and 25 per cent ad valorem.

Mr. SMOOT. Mr. President, on behalf of the committee, I desire to substitute 20 per cent instead of 25 per cent, on line 2, page 145.

The PRESIDING OFFICER. The modification will be stated.

The READING CLERK. On page 145, line 2, in lieu of "25" it is proposed to insert "20," so that it will read "20 per cent ad valorem."

Mr. WALSH of Massachusetts. Mr. President, paragraph 1106 covers wool which has advanced beyond the scoured state but not beyond roving. We must now consider, if we are going to fix these rates upon a scientific basis, whether the proposed compensatory rate is just and fair and also whether or not the protective rate is just and fair. The amendment just offered in behalf of the committee is a slight reduction in the rate named by the committee in the printed text.

Mr. SMOOT. Mr. President, will the Senator yield for just a moment?

Mr. WALSH of Massachusetts. In just a minute. Let me say to the Senator of the majority in charge of this schedule that it is not fair to the minority, it is not fair to the country, when a paragraph is reached for consideration to have the representative of the Finance Committee arise and move to change the rate named in the printed bill. The Members of this body upon this side of the aisle have had only the House text and the Senate text to study and consider in the preparation of whatever they desire to say in protest against these rates. These daily changes in your bill are putting you in the position before the people of the country as being unable to determine what is the fair rate to fix in this bill.

Mr. SMOOT. I will say——

Mr. WALSH of Massachusetts. Pardon me; I will yield to the Senator in just a moment. Here we have had before us for months the rates named in the House bill which the Republican majority of the House after long deliberation said were fair, just, and proper.

The Finance Committee had months of discussion and hearings and the majority members of the Finance Committee, after many secret sessions and long deliberations, reported amendments which are printed in the bill before us, and which have remained as the judgment of the committee up to this very hour. To-day, two years after this bill was first introduced and more than three months after the bill was reported by the Finance Committee, another amendment is presented by the committee. We have one rate named by the House; we have another rate named by the Senate Finance Committee when they reported this bill to the Senate; and we have another rate named to-day.

I will say to the Senator from North Carolina [Mr. SIMMONS], in charge of this bill for the minority, that we could do no better service to this country than to keep this bill before the Senate for another year, because every time we fight these rates we frighten the committee into making slight reductions. Frequently when a serious discussion has been entered into upon the rates named in this bill, there has been some slight concessions by the advocates of these high rates. What does it indicate? It means that the committee, if they could get away with it, would make these rates sky-high. It means that the discussion of these questions upon the floor of the Senate and the discussions in the press of the country have compelled the committee which now admits that it has sought to put into this bill exorbitant rates to take a change of position, and submit rates lower than those first presented.

In all my public experience I have never seen a more flagrant confession than we have witnessed in this Chamber during the past few weeks of incompetency, of neglect, of absolute disregard of the caution and care which ought to be taken in the imposition of taxes upon the American people.

Mr. SIMMONS. Mr. President, I suppose the Senator means that the discussions which we have already had upon this bill have brought forth astonishing truths.

Mr. WALSH of Massachusetts. That is the explanation.

Mr. SIMMONS. And if we could have further time for its discussion, and for the enlightenment of the country as to what it signifies, it would bring forth still better fruits.

Mr. WALSH of Massachusetts. There is no doubt about it. The attention which has been called to the high duties levied in the various schedules, and the protests from the American people have at last penetrated—shall I say the hides of the members of the Finance Committee? And they are now being forced by the power of public opinion to say "you are right. The minority is right. The press of the country is right." Protests have been made that these duties are too high, and the majority are beginning to admit it themselves.

How much confidence can the American people repose in a body of their representatives in the United States Senate who repudiate rates fixed by the members of their own party in the other branch of Congress, and after long and extended hearings fix other rates, and then later, not, however, until the whole press of the country and the minority Members of this Chamber spend weeks and months denouncing the high and excessive rates named, they admit that it is all too true, and thereby confessing that they attempted to put through a protective tariff bill with rates they now admit were too high?

I ask the Senator from Utah if his committee has any more amendments to offer to this schedule? If so, that they be submitted now in the interest of expediting the business of the Senate, and in order that we may have the whole record before us, so that when these succeeding paragraphs are reached the Senator in charge on this side will not find himself prepared to discuss one amendment and discover that he is obliged to discuss an entirely different amendment when he gets upon his feet.

Mr. SMOOT. I want to say to the Senator that when the cotton schedule was first taken up the Senator from North Carolina, and I think the Senator from Arkansas, asked me if there were to be any reductions in the wool schedules. I answered at that time that wherever there was a rate of 55 per cent fixed I had no doubt that that would be reduced to 50 per cent. The Senator from North Carolina remarked, "Then it is only a 5 per cent decrease?" I said, "Yes; it is only a 5 per cent decrease, as far as I am aware."

I will say to the Senator from Massachusetts that wherever there is a duty of 55 per cent named in the wool schedule that duty will be reduced to 50 per cent, just as I stated when the cotton schedule was first taken up, and I have stated it once or twice since that time in answering a question put by some one on the other side of the Chamber. I intend to offer all those amendments to-day. Wherever there is a rate of 55 per cent it will be reduced to 50 per cent, so that the highest protective rate in this schedule will be 50 per cent. The compensatory rates are exactly the same, and will be exactly the same throughout the bill, because of the fact that the Senate has already voted 33 cents on scoured wool.

I want to say still further that there is one paragraph, paragraph 1119, providing as follows:

PAR. 1119. Screens, hassocks, and all other articles composed wholly or in part of carpets or rugs, and not specially provided for, 40 per cent ad valorem.

Paragraph 1118 provides:

Ingrain carpets, and ingrain rugs or art squares, of whatever material composed, and carpets and rugs of like character or description, not specially provided for, 30 per cent ad valorem.

In the latter paragraph, covering ingrain carpets, the committee proposes to make the rate 25 per cent instead of 30 per cent, and on screens, hassocks, and so forth, the rate will be reduced from 40 per cent to 30 per cent.

Mr. WALSH of Massachusetts. May I ask the Senator if the reason for the reductions in these rates is because the committee have learned that the danger of foreign competition is not as great as it was a few months ago, when this bill was drafted?

Mr. SMOOT. I was going to answer the statement made by the Senator about the committee when he got through, and perhaps I had better wait until he does get through.

Mr. WALSH of Massachusetts. I think that would be more satisfactory.

Mr. SMOOT. I will make a statement then, for I want the Senator from Massachusetts and other Senators and the country to know why the changes have been made.

Mr. WALSH of Massachusetts. The Senator will agree with me that it is a very unusual procedure for the members of an important committee, such as the Finance Committee, to come upon the floor and, as each paragraph is reached, to say, "We have a modification we wish to make. We want to change that amendment." It is either one of two things—an admission that you were honestly mistaken in the beginning and you want now to correct the mistake or that you were trying to put something over on the American people if it was possible to do so unobserved and undiscovered.

Mr. SMOOT. That is not the case. The committee did not want to put anything over on the country. The committee wanted to fix rates as low as possible under the then existing conditions. I know it is an unusual thing; I admit it. But we are living in an unusual time. Conditions all over the world are unusual, and what Senator more than the senior Senator from New Mexico [Mr. JONES] has called attention to the changed conditions in Germany? It is due to those changed conditions that the changes have been made which have been submitted to this body.

Mr. WALSH of Massachusetts. That is why I think the Senator and the majority members are making a great mistake, in attempting to fix rates in this bill upon conditions which are changing rapidly, which they admit have changed to such extent in the last six months as to already require a readjustment of these rates. If the revision of the tariff were put off for another year, there is no doubt but what the committee would be obliged to make the rates very much lower than they are now; but if the bill goes through with these high rates, and is in operation next year, when the conditions will have changed further, the consumers of America are going to be the sufferers.

Mr. SMOOT. If this bill should pass and if the German mark, from some cause unknown to-day, should advance to 12 cents instead of being worth a quarter of 1 cent, if the moneys of all the countries of the world should be as they were before the war, and if conditions became normal, as they were before the war, I would want some power given to the President to change the rates; and there is a power granted to the President for that purpose, either to increase or decrease the rates. The Senator must have heard me state several times upon the floor that I thought that power would be exercised by the President, if exercised at all, more in the direction of decreasing the rates than in increasing rates. I believe that just as firmly as that I shall live until to-morrow morning.

I will frankly admit to the Senator that if conditions were normal there are rates in the bill which I would not support, which I could not support, because whatever rate I do support I support it because I believe in all my heart that it is right. I have admitted several times upon the floor of the Senate that conditions have changed since the committee reported the bill. Some of the changes in the bill are being made because of that fact coming particularly to the knowledge of the members of the committee.

Mr. WALSH of Massachusetts. Mr. President, I want to assist in the expedition of this bill and this schedule. I want to make an agreement with the Senator that he and I both do everything possible to have this schedule finished by to-morrow night at 6 o'clock.

Mr. SMOOT. I would be glad to have it finished by to-night.

Mr. WALSH of Massachusetts. Also this agreement, that on any of these paragraphs we limit ourselves, except perhaps the paragraphs covering cloth, to half an hour's discussion.

Mr. SMOOT. I am perfectly willing to agree to that.

Mr. WALSH of Massachusetts. Of course, we can not control anyone else; but let us agree that on all paragraphs we limit our discussion to half an hour and on the two cloth paragraphs to a discussion of an hour, and that we will do our utmost to have the wool schedule disposed of by to-morrow night. Is that satisfactory?

Mr. ROBINSON. That would please me immensely; but I suggest to Senators that they might get an agreement for a limitation of debate upon the paragraphs.

Mr. WALSH of Massachusetts. I do not think we could control the time of other Members—the Senator from Wisconsin [Mr. LENROOT] and others.

Mr. SIMMONS. I think that would be inadvisable.

Mr. ROBINSON. I am inclined to think that an agreement could be reached, and I wish Senators would try to get it. I am afraid the suggestion of the Senator from Massachusetts will merely result in the elimination of him and the Senator from Utah from the debate—which I would regard as a calamity from the Democratic standpoint—and the injection into the debate of others who know less about the subject.

Mr. WALSH of Massachusetts. I think in the case of some of these paragraphs very few Senators will speak at length.

Mr. SMOOT. Let us limit the debate just as far as possible.

Mr. WALSH of Massachusetts. Of course, I do not want to have this schedule expedited so fast that the committee will not have a chance to meet and reduce rates in the other schedules. We may get too far ahead of them, and that would be a calamity.

Mr. SMOOT. The committee is ready to go right along with every schedule.

Mr. SIMMONS. I think it is very well that the Senator from Utah and the Senator from Massachusetts, who are managing the schedule, respectively, for the majority and the minority members of the committee, should have this understanding. Both Senators have doubtless very thoroughly studied the schedule and digested in their minds what they intend to say; and they have reached the conclusion that they can say what they desire within the limitation mentioned. I have knowledge of some Senators who desire to discuss certain paragraphs, not many of them, probably a little more extensively than either the Senator from Utah or the Senator from Massachusetts will discuss them. I regard this as one of the most, if not the most, important of the schedules in the bill. I regard the compensatory rates imposed in the schedule as utterly unreasonable. I should not like to have a limitation placed upon the discussion of the more important paragraphs, especially those which relate to yarn and to cloth.

Mr. WALSH of Massachusetts. I had in mind what the Senator said and, therefore, was only limiting the discussion as to the Senator from Utah and myself.

Mr. SMOOT. Mr. President, we need not take any more time in discussing the limitation, but I will say to the Senator that I shall do everything in my power to hasten the consideration of the schedule. I am very glad to have the Senator from Massachusetts say that he will do the same. I have no desire whatever to cut the debate short if anyone desires to ask questions or discuss the matter. I think I can prove beyond question of doubt, even to the Senator from North Carolina, that the compensatory duties here are justified if we have 33 cents per pound on the scoured content of wool.

Mr. SIMMONS. Both are bad, in my judgment. Of course in the judgment of the Senator from Utah they are not bad.

Mr. SMOOT. I am speaking of the compensatory duties if we have 33 cents on scoured wool. Then the compensatory duties are upon the basis that even the Tariff Commission have said they should be.

Mr. SIMMONS. I do not agree with the Senator from Utah about the compensatory rates. I think we shall be able to show that the compensatory rates are altogether out of plumb.

Mr. WALSH of Massachusetts. Mr. President, as I stated a few moments ago, there are two questions to be considered in connection with this paragraph. First, is the compensatory duty a fair duty, and can it be justified in view of the rate of 33 cents a pound upon clean wool? The second question is whether the protective duty is fair.

How are we going to determine whether the proposed duties are fair? There are various ways of doing it. First of all, we can compare the rates named in the bill with the rates named in previous laws—the Underwood law and the Payne-Aldrich law. When we come to consider the question of protective duties we can consider what information is obtainable in reference to the difference in the cost of conversion here and abroad. Mr. President, let us first make a comparison with the House bill.

Mr. President, so far as concerns the compensatory duty on tops, the Senate amendment makes no important change in the House text. To be sure, the 36 cents per pound in the Senate amendment is higher than the 27½ cents per pound in the main bracket of the House text, but this is due to the increase of the duty on raw wool in the Senate bill. In other words, the compensatory duty in the Senate bill bears the same relation to the duty on wool in the Senate bill as the compensatory duty in the House bill bears to the duty on raw wool in the House bill.

The abandonment in the Senate amendment of the valuation bracket for tops valued at not more than 40 cents per pound constitutes no essential change, inasmuch as few, if any, tops would have such a low value.

As regards the protective ad valorem duty, while it is difficult to make a comparison because of American valuation in the House bill and foreign valuation in the Senate bill, it seems highly probable that the duty of 20 per cent foreign valuation in the Senate bill constitutes a substantial increase over the duty of 10 per cent American valuation in the House bill.

Mr. SIMMONS. Mr. President, I wish to suggest this thought to the Senator: The compensatory rates are the same with reference to all classes of wool. On the item under discussion it is 36 cents a pound. On clothing it runs up as high as 49 cents a pound of the wool content. There is a very great difference in the value of wool. The compensatory rate is supposed to be given to measure the value of the raw wool that is used. Some wools sell for as low as 20 cents a pound and some for as much as $1.32 per pound.

Mr. WALSH of Massachusetts. Of course, tops are all wool.

Mr. SIMMONS. Yet the same compensatory rate is given on the wool that sells for 20 cents a pound that is given on a pound of wool that sells for $1.32.

Mr. WALSH of Massachusetts. But we voted yesterday to put the same tariff duty on cheap wool as high-priced wool, 33 cents per pound, so that the high compensatory duty is due to fixing the rate on raw wool at 33 cents.

Mr. SIMMONS. That is what I was saying. I was not saying that this is out of touch with the rates which have been made on wool, but that the fundamental, the primary, the basic

rate on wool is absolutely wrong. The rate given on the wool content is 33 cents per pound. If we carry that forward as a compensatory duty and allow 33 cents to the manufacturer on the wool that is used the paragraph makes no distinction between the characters of wool, and any wool entitles him to the same compensatory duty. If we carry that forward and give the manufacturer the benefit of it, he gets as much benefit by way of protection where the wool has cost him only 20 cents a pound as he gets where the wool has cost him $1.32 a pound. I was speaking about the fundamental basis of the whole proposition.

Mr. WALSH of Massachusetts. There is no difference between the Senator and myself on that matter, and that is the reason why many believe a specific duty on wool is wrong; that it should be ad valorem.

Mr. SIMMONS. I am not comparing the two paragraphs at all. I think the Senator is right about the two paragraphs. Probably if the first paragraph which we adopted, which fixes the rate of duty upon raw wool, is to stand, then the compensatory rate on this particular item might have to follow that rate; but I am talking about when it gets into the yarns and cloths.

Mr. WALSH of Massachusetts. I am very glad the Senator made the explanation, because I thought at first that we were apart upon the matter of compensatory duty. I agree with him that the rate of 33 cents a pound is not justifiable. It is excessive; it is even discriminatory. It applies alike to the cheap wools and to the fine wools. It will result in giving compensatory duties of very high amounts to the various manufacturers of wool, regardless of the quality and value of the wool.

Mr. SIMMONS. It will give 33 cents protection to the manufacturer who uses 28 cents per pound wool. It will give only 33 cents protection to the manufacturer who uses the $1.32 per pound wool.

Mr. WALSH of Massachusetts. In this connection it might be interesting, and I am sure the Senator from North Carolina will be interested in this, to translate the duties proposed in this paragraph into ad valorem terms and compare these ad valorem rates with the ad valorem rates in the Payne-Aldrich law, in the text of the House bill, and as proposed by the committee amendment. What do we find?

Tops which are valued, foreign valuation, at 15 cents, carried, under the Payne-Aldrich law, an ad valorem duty of 188 per cent; under the rates fixed in the House text the ad valorem equivalent would be 138 per cent; and under the proposed rates in the Senate committee amendment 265 per cent. Tops valued on a foreign valuation at 17.5 cents carried an ad valorem rate under the Payne-Aldrich law of 171 per cent; under the House bill they carry a rate of 189 per cent; and under the Senate committee bill of 231 per cent.

Mr. SMOOT. Will the Senator also state that the rates of duty of which he is speaking are based on the prices in 1909 and not on to-day's prices?

Mr. WALSH of Massachusetts. They are based on recent prices, and the percentages cover the specific and ad valorem rates in the Payne-Aldrich law and in the House bill and in the Senate committee bill.

Mr. SMOOT. Does the Senator find that tops are priced to-day at the figures of which he is speaking?

Mr. WALSH of Massachusetts. No, sir.

Mr. SMOOT. That makes a great difference.

Mr. WALSH of Massachusetts. The Senator from Utah has not allowed me to finish. I am proceeding with the cheapest tops at 15 cents and going up to $1. The prices of tops vary from 15 cents to $1.50. The table works out correctly regardless of the date of the prices.

Mr. SMOOT. That makes all the difference in the world.

Mr. WALSH of Massachusetts. In America the prices vary from 25 cents to $1.50. This table begins on tops which are valued at 15 cents and goes to tops which are valued at $1.

Mr. SMOOT. What I wanted to say was this——

Mr. WALSH of Massachusetts. The same relationship exists even if the foreign price is lower or higher than the time these prices were prevailing.

Mr. SMOOT. If the same prices existed to-day as existed in 1910, the Senator's figures would be applicable. That is all I wanted to say.

Mr. WALSH of Massachusetts. Let us, regardless of dates, take tops valued at 80 cents. Under the Payne-Aldrich law the ad valorem rate would be 76 per cent; under the House bill, 51 per cent; and under the Senate committee bill it is 70 per cent. On tops valued at 50 cents the rate would be 103 per cent under the Payne-Aldrich law, 74 per cent under the House bill, and 97 per cent under the Senate committee bill. On tops valued at $1 the ad valorem rate under the Payne-Aldrich law would be 67 per cent, under the House bill 43 per cent, and under the Senate committee bill 61 per cent. I have called attention to these percentages to indicate how close the total protection afforded to the manufacturer of tops by the pending bill is to protection afforded by the high duties of the Payne-Aldrich law, and how much greater duties are granted under the bill as reported by the committee than under the duties levied in the House bill.

Mr. SMOOT. I desire to say to the Senator from Massachusetts that under the Payne-Aldrich law not only did the manufacturers have that 67 per cent duty on the price of the wool, to which the Senator has referred, but they had it on the basis of 33 cents on the scoured content; and as they bought the wool in the grease it did not cost them 22 cents, the average being 18 cents a pound. So they made 67 per cent and the difference between 18 cents on the scoured content and 33 cents. That is what the manufacturers had in 1910.

Mr. WALSH of Massachusetts. The Senator from Utah had better be a little careful about how he denounces the Payne-Aldrich rates, because before we get through with this schedule I expect to show that the rates in this bill parallel them; and, despite the fact that the Payne-Aldrich rates are as bad as the Senator from Utah says they are, he is practically going to adopt those rates in this bill.

Mr. SMOOT. Not in the least.

Mr. WALSH of Massachusetts. To be sure, the manufacturer may not get quite as much protection, because these compensatory rates are fixed upon a duty of 33 cents per pound on raw wool, while the Payne-Aldrich compensatory rates were fixed upon the duty of 11 cents upon wool in the grease; yet the total duties, compensatory and protective, levied in the various paragraphs of this schedule approach the total duties levied in the Payne-Aldrich law.

Mr. SMOOT. But the difference between 18 cents and 33 cents is given to the woolgrower and not to the manufacturer. What the Senator states, however, is true, so far as the rate is concerned.

Mr. WALSH of Massachusetts. It is given to the woolgrower and not to the manufacturer; the Senator from Utah is, in part, right about that, the manufacturer will not get as much; but the Senator must admit that the consumer is going to be taxed just as much.

Mr. SMOOT. Not as much.

Mr. WALSH of Massachusetts. The Senator from Utah has succeeded in his endeavor to shift a little bit of the protection which the manufacturer has been getting to the woolgrower.

Mr. SMOOT. A little!

Mr. WALSH of Massachusetts. Well, considerable, if the Senator insists.

Mr. SMOOT. I should say it was.

Mr. WALSH of Massachusetts. But the result to the consumer is that he is up against the Payne-Aldrich law again, with all its high duties and high rates. I think the Senator from Utah will agree to that.

Mr. SMOOT. Outside of whatever rates have been decreased, of course, I agree to that; there is no doubt about it; but, I will say, compensatory rates in some cases have been decreased, notwithstanding the rate of 33 cents on scoured wool. I want to say further to the Senator that the compensatory duties provided for the manufacturer are absolutely necessary because of the duty of 33 cents a pound on scoured wool; and the Senate has decided that the rate of 33 cents shall be provided by a vote of 38 to 16.

Mr. WALSH of Massachusetts. I agree with the Senator as to that.

Mr. SMOOT. So that there is no need of going back to that at all. Whatever increase there is in the wool rates is given to the farmer; there can be no question as to that. The manufacturer does not get anything at all out of the wool shrinkage under this bill, as I have before stated.

Mr. WALSH of Massachusetts. In other words, it is proposed to reenact the Payne-Aldrich wool schedule with this addition: Instead of so much hidden, concealed, and stolen protection being given to the manufacturers, as was given to them in the Payne-Aldrich law, some of it has been passed over to the sheep raisers.

Mr. SMOOT. All of it has been passed over to the farmer who raises the wool.

Mr. WALSH of Massachusetts. But there is still a heavy duty for the benefit of the manufacturers.

Mr. SMOOT. I thought the Senator was speaking of the compensatory duties.

Mr. WALSH of Massachusetts. I am speaking of both protective and compensatory duties.

Mr. SMOOT. The protective duties are lower in this bill than they were in the Payne-Aldrich law. For instance, on tops the rate in the Payne-Aldrich law was 30 per cent, while in this bill it is 20 per cent. Then, I notified the Senate two weeks ago, and also to-day, that there will not be a protective rate in this bill on cloths above the 50 per cent, while in the Payne-Aldrich law the rates were 55 per cent.

Mr. WALSH of Massachusetts. Fifty per cent is high enough.

Mr. SMOOT. That is what the manufacturers get, and that is all. From now on, I will say to the Senator, about the only question there is to discuss is as to the protective rates in this bill which are given to the manufacturer, and they run, as the Senator will notice, all the way from 20 per cent up to 50 per cent, according to the stage of manufacture.

Mr. WALSH of Massachusetts. What I desire to call attention to from the table from which I have quoted is that the total levy upon the American consumer who buys tops is substantially the same as in the Payne-Aldrich law, in some instances being higher, but higher always in the case of cheap tops that go into the manufacture of cheap clothing, and, in other cases, lower, but always lower in the case of the finer wool tops, and, consequently, that the combined duties, the compensatory and protective duties, on tops in this bill are very much heavier than in the House bill.

I now desire to ask this question: What facts did the Senate Finance Committee possess which the House committee did not possess? The House committee sat in the midst of the industrial depression; they were deliberating during the first six months of 1921 and the latter months of 1920, when there was the most serious financial and industrial condition in this country; they had presented to them the gloomiest and the worst industrial condition this country has probably ever faced; and yet, after all their deliberations, they reported duties upon tops which are very much lower than the rates reported by the Senate committee. Months have now passed and the industrial situation has improved; the threat of cheap foreign competition has subsided, and yet the Senate committee report in favor of protective duties much higher than those provided by the Republican Members of the House who drafted the corresponding paragraph in the House bill. What are the facts? What information came to the Senator from Utah—and he may answer me now or later in his own time——

Mr. SMOOT. I can answer in a very few moments——

Mr. WALSH of Massachusetts. What information came to the committee that made them say, "The House is all wrong; their rates are too low; they have not given sufficient protection to the manufacturers of tops. We propose to give them the higher rates which we have provided in the committee amendment."

Mr. SMOOT. The answer is a very simple one, in my opinion. The House provided a duty on scoured wool of 25 cents, while the Senate committee has reported a duty of 33 cents.

Mr. WALSH of Massachusetts. I am speaking about the combined duties.

Mr. SMOOT. If the Senator will wait I will consider both duties. The Senator himself says that a rate of 36 cents is justified if we have a duty of 33 cents on scoured wool, and he is correct in that.

Mr. WALSH of Massachusetts. Yes, sir.

Mr. SMOOT. There is no doubt about that. So that does away with a great deal of the increase to which the Senator refers. There is another fact which should be taken into consideration. In the House bill the protective duty is 10 per cent on the American valuation. In the case of tops, for instance, the price of 40s to-day in the United States is 55 cents, while in England it is 25 cents. Upon that basis alone the rate of 20 per cent in the Senate bill is more than justified. The prices I have indicated are those of July 15 of this year.

Mr. WALSH of Massachusetts. Right there let me say that I dispute the difference the Senator finds between the price of tops here and abroad. I will proceed, however, and call attention to that later.

Mr. SMOOT. I say that on July 15, 1922, wool tops, 40s, were 55 cents in America, while the English price was 25 cents, and the landing price was 31 cents; that is, allowing 3 cents a pound for landing charges, freight, marine insurance, and so forth, and 10 per cent to cover the expenses and profit of the importer. The price of 31 cents a pound includes all of those items, although the foreign price as quoted on the London market was 25 cents. Therefore, Mr. President, the Senate committee provided a rate on the basis of 36 cents, because on the clean content of the wool we provide a rate of 33 cents. No one can say that is not right. The House provided 10 per cent upon the foreign valuation of the tops, which, as I have said, on July 15, 1922, in the case of 40s, was 25 cents, while the American price was 55 cents.

Mr. WALSH of Massachusetts. It amounts, then, to this: That the price of tops when the House drafted this bill was different from the price at the present time; that the spread between the foreign price and the domestic price was less when the House drafted this bill than it is now. That is the Senator's position, is it not?

Mr. SMOOT. No; that is not what I stated. I said that they did not take the question of what the foreign price was into consideration at all. They simply considered the American valuation of tops and put a duty of 10 per cent upon the American valuation.

Mr. WALSH of Massachusetts. But the ad valorem duty they imposed upon the American valuation was a protective duty?

Mr. SMOOT. It was a protective duty, and the 20 per cent rate upon the foreign valuation as reported by the Senate committee is a protective duty. Twenty per cent upon the foreign valuation of 25 cents would amount to 5 cents, while the 10 per cent rate upon the American valuation of 55 cents would amount to 5½ cents; in other words, there is a reduction under the Senate committee amendment.

Mr. WALSH of Massachusetts. In order to determine what was a fair protective duty on the American valuation you must know the foreign valuation of tops.

Mr. SMOOT. No. They had to give on the American valuation the equivalent production for transforming the wool into tops, and they considered that 10 per cent upon the American valuation of tops was absolutely necessary. We changed the basis to the foreign valuation, and 20 per cent of 25 cents is 5 cents, while 10 per cent upon the 55 cents is 5½ cents. So that 20 per cent is even less than the 10 per cent rate in the House bill.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. WALSH of Massachusetts. I yield to the Senator from Wisconsin.

Mr. LENROOT. I should like to ask on what price of wool the committee figured the London price of scoured wool?

Mr. SMOOT. On 40s.

Mr. LENROOT. No; I said, on what price of scoured wools, at the same time that the committee estimated the foreign price of tops?

Mr. SMOOT. I should think that would be perhaps about 20-cent wool, clean content, because it costs 5 cents to make it into tops, with a loss.

Mr. LENROOT. Scoured wool?

Mr. SMOOT. Oh, no; I am speaking now of 40s, of tops. That is coarse wool. It would be at least 20 cents; or, in other words, quarters and lower are used to make 40 tops, and that was the figure that the Senator had spoken of before I took the floor.

Mr. WALSH of Massachusetts. Mr. President, I am going to proceed to discuss the protective rates in this paragraph. Before doing that, however, I should like to yield to the Senator from Arkansas [Mr. ROBINSON], provided, of course, that I can still retain the floor.

Mr. ROBINSON. Mr. President, yesterday while the present schedule was under consideration the Senator from North Dakota [Mr. MCCUMBER], chairman of the Committee on Finance, made a statement, the accuracy of which was later challenged on the floor of the Senate. The statement by the Senator from North Dakota was substantially as it appears in this morning's RECORD at page 10656. He said:

> I probably could call attention to some other things which defeated Taft, but I will state one thing that the Republicans did in 1909 which was their undoing. They refused to put print paper upon the free list; that was the real crime. Every great newspaper in the United States was in favor of free print paper, and through their organization and the president of the Publishers' Association they put this matter straight up to the committee. It is no secret. They said in substance: "Give us free print paper and we will support the administration; refuse to give it, and we will destroy you, if we can." Well, we took our chances—there were not very many cowards on the Republican side in those days—and we refused to give them free print paper, and suffered defeat more for this cause than for any other. We stood for principle, and to the extent that this refusal assisted in our undoing we died for principle. That is the real thing that was back of the defeat of the Republican Party in 1912. That was the one thing that brought the great press of the country against him.

Mr. President, believing that this declaration, coming from the source that it did, justified serious consideration, I called upon the Senator from North Dakota and other Senators who might possess information respecting the subject to furnish details, and to inform the Senate who constituted the committee representing the Newspaper Publishers' Association, and what individuals were chargeable with responsibility for the threat

and the conduct set forth in the statement made by the Senator from North Dakota. The Senator from Utah [Mr. SMOOT] subsequently said that one John I. Norris, the accredited representative of the Newspaper Publishers' Association, had stated to members of the Finance Committee that there could be no compromise on the question as to whether print paper should be placed upon the free list; that if the Finance Committee refused to put it on the free list the Republican Party would be driven from power.

The Senator from Indiana [Mr. WATSON] took the floor and made a statement attributing to Mr. Herman Ridder a direct threat to the former Speaker of the House of Representatives, Mr. CANNON, that unless print paper were put upon the free list Mr. CANNON would be politically destroyed.

The Senator from Indiana [Mr. WATSON] during the course of his remarks detailed an incident which he said occurred between Mr. Herman Ridder and the former Speaker, Mr. CANNON, in which Mr. Ridder is alleged to have made a corrupt proposal to Mr. CANNON, and to have offered him the support of the newspapers of the United States for President if he would permit a joint resolution placing print paper upon the free list to be called up for consideration in the House of Representatives. The Senator from Indiana declared that the then Speaker, Mr. CANNON, had indignantly refused to grant the request of Mr. Ridder, and had defied Mr. Ridder. He further said that a colored messenger was called and informed that Mr. Ridder was not to be permitted to enter the Speaker's private room again, and that the messenger was instructed to throw him out if he attempted to do so.

Both Mr. Norris, referred to by the Senator from Utah, and Mr. Herman Ridder, mentioned by the Senator from Indiana, are dead. It is a remarkable coincidence that the charge of attempts to corrupt the Finance Committee should be laid against two individuals both of whom are dead.

Mr. CARAWAY. Mr. President, I should not like to interrupt a serious argument, but was either one of these conversations a telephonic conversation?

Mr. ROBINSON. The statement of the Senator from Utah is that Mr. Norris's threat or prediction was made, as I understand, to him and the then Senator from Rhode Island, Mr. Aldrich, they constituting the subcommittee. There was no telephone used in that instance. The statement of the Senator from Indiana respecting the alleged activities of Mr. Herman Ridder was that Mr. Ridder had threatened the Speaker of the House of Representatives in his presence and in the presence of other Representatives if he did not yield to the demand that the joint resolution putting newsprint paper on the free list be considered by the House of Representatives.

Mr. CARAWAY. As I recall, the Senator from Indiana was in favor of surrendering, was he not?

Mr. ROBINSON. Oh, the Senator from Indiana stated that while he thought the Speaker was morally right, he was diplomatically and politically wrong, and that he appealed to the Speaker in every way that he could devise to yield to the demand of Mr. Ridder and permit the joint resolution to be considered by the House of Representatives.

In this morning's New York Times is contained a statement by Mr. Don C. Seitz, business manager of the New York World, who was on the paper committee of the American Newspaper Publishers' Association with Messrs. John I. Norris and Herman Ridder in 1909. In this statement Mr. Seitz uses language which, under the rules of the Senate, can not properly be incorporated in the RECORD. A portion of his statement, however, relates to the accuracy of the memories of the Senator from Utah and the Senator from Indiana. It is as follows:

It is my impression that Mr. Taft was defeated by Theodore Roosevelt and not by the newspapers—

Said Mr. Seitz.

As a matter of fact, most of the newspapers were for Mr. Taft. The newspapers had no grievance, and, far from having been turned down by the Senate, had reached a very satisfactory arrangement.

Nothing of the kind described by Senator MCCUMBER ever happened. The paper tariff discussions began way back in Roosevelt's time, when John Hay was Secretary of State and was trying to get 21 reciprocity treaties with other countries signed by the Senate. He said at the time that it was impossible to get anything with common sense and honesty back of it through the United States Senate. I remember his words very well.

There had been a Canadian joint high commission which dealt with such subjects as we wished to discuss, and we went to Mr. Hay to see if he could not revive the commission. It was then that he told us how his treaties had been killed by logrolling in the Senate.

We never used threats, but we finally made a decent arrangement by which wood pulp was let into the country free if its price did not go higher than 2 cents a pound. Later that figure was revised upward—I have forgotten the exact figures. But it was not necessary to mix in politics to get that done, and the American Newspaper Publishers' Association never did mix in politics.

The article continues:

The remarks of Senator WATSON with regard to Herman Ridder's talk with "Uncle JOE" CANNON were read to Mr. Seitz, who indignantly repudiated them.

"I don't believe Ridder ever said anything of the kind," he exclaimed. "I was with him on both his visits to CANNON, and I did not hear him saying anything like that. The American Newspaper Publishers' Association never did anything of the kind. We didn't have to threaten. We were getting what we wanted by a perfectly decent arrangement, satisfactory to everyone concerned, and there was no need for threats. The entire statement is ridiculous."

Mr. President, in view of the fact that both Mr. Norris and Mr. Ridder are dead, I have felt it not improper to submit the statement of Mr. Seitz to the Senate, inasmuch as he was a member of the committee, and claims to have been present when the conversations between Mr. Ridder and ex-Speaker CANNON occurred. There can be no doubt that the newspapers of the country, as a rule, favored the placing of newsprint paper on the free list then, as they do now. I do not believe the charge made by the Senator from North Dakota, that the accredited representatives of the newspaper publishers of America deliberately and intentionally sought to intimidate the Finance Committee, by threats of destroying the Republican Party, into placing newsprint paper on the free list. I do not believe that the statement made by the Senator from North Dakota that, as a result of the failure of the Finance Committee to yield to the demands for free print paper, the newspapers of the country unitedly and concertedly turned against the Republican administration and wrecked it can be sustained. I do not believe the press of America, the reputable newspaper men of this country, would indulge in practices of that nature.

The reasons for the defeat of Mr. Taft were numerous. They are now generally understood. In the course of his administration he had alienated the political friendship of the one public man, Mr. Roosevelt, who, more than any other, and more than all others, was responsible for the prominence of Mr. Taft in politics.

Mr. CARAWAY. If I may interrupt the Senator, I did not know Mr. Taft was defeated; I thought he went out by unanimous consent.

Mr. ROBINSON. Mr. Taft's defeat for a second election was the most overwhelming and humiliating known to American political history, and it could not have been due to any other cause than the fact that the members of his own party repudiated the course taken by him in public office.

For a long time it has been customary to make politics of the reputations of men in public life. For a long time it has been customary to seek to discredit great agencies which are influential in American public life. This should not be carelessly indulged in, for it endangers our institutions. If the newspapers in this country committed the acts attributed to them by the Senators from North Dakota, Utah, and Indiana, they were hopelessly corrupt and deserved censure. The facts stated by Mr. Seitz show that there was no necessity for making a proposition such as the Senator from North Dakota claims was made by Mr. Norris and others to the Committee on Finance, and I am unwilling to accept the evidence submitted as convincing proof of the very serious charges against the newspaper publishers of America.

If Mr. Norris had taken the course attributed to him, it could not be chargeable to the press of America. Does anyone believe that the newspaper men of this country are so abandoned or were so abandoned as knowingly to permit their representative in Washington to say, "If you will give us free print paper we will support the present administration and we will support Mr. Taft in the coming election, but if you refuse to do that we will wreck the administration without regard to other questions vitally affecting the public interest"?

This is an important issue. The testimony brought to sustain this wholesale charge of corruption on the part of the press of this country is alleged to be based on threats from lips which have long been sealed. The statement of a surviving member of the committee of the Newspaper Publishers' Association is that no such incident occurred. I leave the matter to the judgment of the Senate and the country.

Mr. MCCUMBER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from North Dakota?

Mr. WALSH of Massachusetts. I yield to the Senator.

Mr. MCCUMBER. The Senator from Arkansas says that he does not believe the statements made by the Senator from Utah or the Senator from Indiana or the Senator from North Dakota are sustained. They all agree upon the facts. The Senator can do as he likes about believing. If it is his desire to believe the writer of that article as against the three Senators, of course, he has the privilege of doing so. It does not change the facts one iota.

I mentioned no names. The Senator from Massachusetts, whom I was answering, had stated that the defeat of the Republican Party in 1912 was due to the action of the Congress in passing Schedule K—the wool schedule. I denied that. I still deny it. In the course of that discussion I stated one thing which had a great deal more influence in bringing about an ill feeling against the then Republican administration and the President of the United States, and which was partially, at least, a cause for the resulting division of the Republican Party in 1912.

I have never claimed that the threats made by the papers or their representatives were the sole cause of that defeat. I have stated again and again that the sole cause was that we had two Republican candidates, which divided the vote, and allowed a minority vote to elect a President of the United States. Both of those things had their influence in bringing about that division in the party.

Mr. ROBINSON. Mr. President——

Mr. McCUMBER. Just a moment. Possibly if there had been no assault upon President Taft—and we all know the assault continued viciously for a year—Mr. Roosevelt would not have been a candidate at all, and we would have had but a single candidate. So, whatever may have been the precise language which I used yesterday, my intention was to convey that thought, and we must have the entire statement which I made in order to determine what thought I intended to convey.

Mr. ROBINSON. Will the Senator yield for a brief statement?

Mr. McCUMBER. I yield.

Mr. ROBINSON. In this connection——

Mr. McCUMBER. The Senator read correctly what I stated.

Mr. ROBINSON. The Senator does not dispute making the declaration which I read?

Mr. McCUMBER. No; I do not.

Mr. ROBINSON. It is in the CONGRESSIONAL RECORD as a part of the Senator's remarks.

Mr. McCUMBER. We must take that in connection with other declarations which I made. The Senator did not read the other declarations, and, of course, they must all come in together in conveying the idea.

Mr. President, it was the poison created by the assault upon President Taft which, in my opinion at least, brought about the division in the party. I do not say it was that alone, because I gave other reasons. I stated that President Taft incurred the hostility of a great many Republicans of the North, and possibly I might say the entire agricultural section of the North, because of his espousal of Canadian reciprocity. That, I think, had a more direct bearing upon the feeling engendered against him, which resulted in his defeat. I am candidly of the opinion, however, that if we had had but one Republican candidate, either Taft or Roosevelt, there would have been no Wilson administration. But that is mere conjecture.

The whole question which was raised, and which I sought to answer, was this: A Senator upon the other side attributed the defeat of the Republican Party to the ill feeling engendered throughout the country by the enactment of Schedule K, the wool schedule, in the Payne-Aldrich bill. I took issue with that, and stated that that which had infinitely more influence than the wool schedule was the refusal of the Republican Party to place print paper upon the free list. Those statements have been made and reiterated time and again.

I was a member of the Committee on Finance at that time, as I have stated. I heard all the testimony given in regard to the matter. Mr. Ridder was diplomatic in his presentation of the matter before the committee. He departed very far from diplomacy, however, when he discussed the matter privately with a few Senators, and he used the language which I have stated and which I restated many times after the utterance was made. That statement was made to but a few Senators who happened to be present at a committee meeting in the committee room of the Finance Committee.

I think the Senator from Indiana [Mr. WATSON] can generally be regarded as a truthful man. I do not think he has made up a wild story, with no foundation of truth. The Senator from Arkansas may carry that belief if he sees fit, but anyone who knows the Senator from Indiana will believe him. That remark is true also of the statements made by the Senator from Utah [Mr. SMOOT]. If the Senator from Arkansas wants to investigate the subject, there is one man still living who was a party to the conversation, and the Senator can get his information from Uncle JOE CANNON. After he has gotten it he may come into the Senate and say that JOE CANNON is mistaken; that no such thing ever happened; but I do not think he would.

The PRESIDING OFFICER. The question is upon agreeing to the committee amendment as modified.

Mr. WALSH of Massachusetts. Mr. President, I want to discuss now the protective rates proposed by the Senate committee. I want to call attention to the protective rates in former laws, and I want to call attention to the fact that there have been no importations of tops, even under former laws, in which the protective rate was very much lower than this rate.

COMPARISON OF DUTY ON TOPS IN SENATE BILL WITH THAT IN PRESENT AND PREVIOUS LAWS.

Mr. President, the emergency tariff law imposes a duty of 45 cents per pound upon all manufactures of wool of the kind commonly known as clothing wool in addition to the rates already existing under the Underwood law. This applies not only to semimanufactured products, like tops and yarns, but also to finished products, like cloths and articles made therefrom. This 45 cents duty is intended to compensate for the duty imposed upon raw wool in the emergency law.

The duty now assessed upon tops is therefore 45 cents per pound plus 8 per cent, the latter being the rate previously in existence in the Underwood law. The effect of this duty upon tops has been particularly striking. It has amounted to practically a prohibition of imports. Under normal conditions the importation of tops has never been large, because of the very high rate of duty to which they have been subjected under protective tariff laws. Nor was the importation large under the Underwood law, when the rate was only 8 per cent—at least not until the winter and spring of 1921. At that time, owing to the large stocks of tops on hand in Great Britain and available for liquidation, and in anticipation of the enactment by the United States of a high emergency tariff duty upon raw wool, there was a striking increase in the imports of tops into this country.

Thus in March imports amounted to 4,102,208 pounds; in April, 4,805,558 pounds; and in May, 2,137,131 pounds. From this point they dropped, with the enactment of the emergency law, to 264,635 pounds in June, 271,922 pounds in July, and thereafter to only a few thousand pounds each month. During the calendar year 1921 approximately 15,000,000 pounds of tops were imported, but practically all of these came in before the enactment of the emergency law. The statistics plainly indicate that so far as concerns tops the emergency law has been practically prohibitive. This is logical enough when one stops to consider that the compensatory duty alone upon this product, which is only one step removed from the raw material, is 45 cents per pound.

The Underwood law imposes a duty of 8 per cent upon wool tops and 20 per cent upon tops made from the hair of the Angora goat, alpaca, and other like animals. These latter do not, however, enter largely into commerce, and for purposes of comparison with the present bill we may confine our attention to the duty of 8 per cent upon wool tops.

The Underwood rate of 8 per cent on wool tops can not be said to have led to any formidable invasion of our markets by foreign top makers. It is true that there was some increase in importations immediately after the enactment of the Underwood law. In the first half of the calendar year 1914, for example, they amounted to 3,228,237 pounds, or slightly more than 3 per cent of the quantity consumed in domestic worsted spinning, and in the following year, 1915, they amounted to 3,412,250 pounds, again approximately 3 per cent of the consumption; but this can hardly be regarded as a serious invasion of our markets. Considering that the imports under the Payne-Aldrich law had been practically prohibited, some increase of imports under the 8 per cent duty was inevitable. And so far as regards the importation of almost 15,000,000 pounds of tops in anticipation of the emergency law this is not a fair criterion by which to judge of the Underwood duty. At that particular time there was a heavy surplus of tops on the British market and this surplus was being liquidated with little or no reference to cost. Furthermore, it is a well-known fact in the wool trade that those who were attempting to lay in large stocks of raw material in anticipation of the emergency duty upon raw wool bought heavily of British tops, because these could be had much more promptly than could stocks of wool from more distant sources. In other words, there was a better chance to obtain tops before the enactment of the emergency law than there was to obtain wool.

The truth of the matter is that the duty of 8 per cent upon tops in the Underwood law is in substantial accord with the findings of the Tariff Board of 1912 as to conversion costs here and abroad. Regarding the amount of duty required, more will be said later.

In the Payne-Aldrich law the duty imposed upon tops was as follows: On those valued at not more than 20 cents per pound the duty was 24¾ cents per pound plus 30 per cent; on those valued at more than 20 cents per pound the duty was 36⅔ cents per pound plus 30 per cent.

The duty on tops valued at less than 20 cents per pound was practically inoperative, because very few tops of such low value entered into commerce. For practical purposes the duty upon tops was 36⅔ cents per pound plus 30 per cent. The 36⅔ cents per pound was intended as a compensatory duty, but as is shown in the old Tariff Board report, this was distinctly in excess of the amount required, for it assumed a shrinkage of 70 per cent, whereas the domestic worsted mills actually used mainly the lighter shrinking wools. In other words, it contained a large amount of concealed protection. When to this concealed protection is added the duty of 30 per cent, it is not surprising that imports under the Payne-Aldrich Act were almost negligible. Indeed, as will be shown later, 30 per cent alone is far in excess of the amount required for protection on a product which contains so low a proportion of conversion to total cost as do tops.

In 1910, for example, the importation of tops amounted to only 1,868 pounds, valued at $838. This is not surprising when it is observed that the equivalent ad valorem duty amounted to 111.69 per cent, and that 81.69 per cent represented the compensatory duty alone. In 1911 there was no importation of tops. In fact, as has been stated, under the Payne-Aldrich law imports were practically prohibited.

THE RELATION OF THE SENATE DUTY ON TOPS TO THE DIFFERENCE OF CONVERSION COST HERE AND IN THE UNITED KINGDOM.

The protective rate upon tops in the Senate bill was 25 per cent, but is now 20 per cent. This is distinctly in excess of the amount required. It is nearly 200 per cent higher than the Underwood rate, which, as we have just noted above, is in substantial accord with the findings of the old Tariff Board, and was fixed at 8 per cent. The fact that the House proposed a rate of 10 per cent (American valuation) shows that it was quite aware that any such rate as that proposed in the Senate bills is unnecessary. The extent to which the Senate rate of 25 per cent exceeds the actual requirement is plainly indicated in the following table, which contains a comparison of the cost of conversion of tops here and in the United Kingdom based upon current conditions.

Wool tops—British and domestic conversion costs in relation to the protective duty in the Senate bill.

Grade.	Tearing.[1]	Commission combing rate.			Total conversion costs.[2]			British prices of tops June 15, 1922.[5]		Duty at 25 per cent, Senate bill.		Per cent required to cover difference in conversion costs.
		British.[3]		Domestic.[4]	British.	Domestic.	Excess of domestic over British.	Pence.	Converted.[6]	Equivalent in cents per pound.	Amount above or below difference in conversion costs.	
		Pence.	Converted.[5]									
				Cents.	*Cents.*	*Cents.*	*Cents.*				*Cents.*	
80s	4 and under 5 to 1	6⅔	12.58	17.00	18.87	25.50	+6.63	78	$1.4539	36.35	+29.72	4.56
70s	do	6⅔	12.58	17.00	18.87	25.50	+6.63	57	1.0625	26.56	+19.93	6.24
64s	do	6⅔	12.58	17.00	18.89	25.50	+6.63	54	1.0036	25.17	+18.54	6.59
60s	do	6⅔	12.58	17.00	18.87	25.50	+6.63	48	.8947	22.37	+15.74	7.41
58s	5 and under 7 to 1	6½	11.65	15.00	17.48	22.50	+5.02	40	.7456	18.64	+13.62	6.73
56s	do	5⅔	10.72	15.00	16.08	22.50	+6.42	32	.5965	14.91	+8.49	10.76
50s	do	5½	9.79	14.00	14.68	21.00	+6.32	21½	.4008	10.02	+3.39	15.76
48s	do	5½	9.79	14.00	14.68	21.00	+6.32	17½	.3262	8.16	+1.84	19.37
40s	6 and under 8 to 1	4⅔	8.85	10.50	13.27	15.75	+2.48	14	.2610	6.53	+4.05	9.50
36s	do	[7] 3⅔	6.99	[7] 9.00	10.48	13.50	+3.02	13½	.2470	6.18	+3.16	12.22
32s	do	[7] 3¾	6.99	[7] 9.00	10.48	13.50	+3.02	13	.2423	6.06	+3.04	12.46

[1] "Tearing" refers to the percentage of noils removed in combing. "Tearing 5 and 1" means the product consists of 5 parts tops and 1 part noils. The higher the "tear" the higher the combing charges. The ratios shown are the most representative. (See p 622, "Tariff Board Report on Schedule K," 1912.)

[2] This has been calculated by adding 50 per cent to the combing rates. This takes into account such additional charges as storage, scouring, sorting, and losses from off sorts. (See p. 11, "The Tariff Board and Wool Legislation," by W. S. Culbertson, Doc. 50, 1st sess. 63d Cong., 1913; also p. 640, "Report of Tariff Board, 1912.") Losses from off sorts properly constitute an additional charge to raw material rather than to conversion; but since the compensatory rate on tops of 1.1 times the duty on scoured wool, as computed by the Tariff Board, did not allow for losses from off sorts, allowance is made here.

[3] British combing tariff, July 18, 1921.

[4] Combing tariffs of several American establishments, issued on or about July 1 1921.

[5] Wool Record and Textile World, June 15, 1922.

[6] Rate of exchange June 15, 1922 (pound=$4.4751).

[7] Rates are for "preparing" only.

Both the domestic and British combing rates used are the latest available and so far as can be ascertained are still in effect.

The most significant figures in this table are in the last column. These show only one instance where a need of more than 15 per cent to cover the difference in conversion cost is necessary, and in this instance—on 48's—it is evident that the British price is abnormally low in relation to the other grades of tops. In more than half of the cases indicated 10 per cent would be adequate to cover the difference in conversion costs. Under normal conditions 10 per cent would probably be sufficient on all grades for a product containing so low a percentage conversion to total cost. Certainly, 15 per cent would be more than adequate.

Nor are the figures in this table open to the criticism that the British prices are abnormally high in relation to conversion cost and that a duty of 25 per cent, or even 20 per cent, yields relatively much more than it would under normal conditions. The fact is that while the British prices are higher than the pre-war prices, they have undergone a greater post-war liquidation, on account of the great drop in the prices of raw wool, than have the conversion costs here and abroad.

In view of the high duties on tops it is, of course, obvious that there could be no exports of tops. The high duties on raw wool make this impossible.

As the only recent imports were under abnormal conditions described above, just before the enactment of the emergency tariff law, how can a protective duty of 20 per cent be justified when 8 per cent resulted in no substantial increase in importations? And how can it be justified in the light of the comparison of conversion costs here and abroad which has just been presented?

Mr. President, is protection merely a license to extort from the American people? I am going to demand and insist that every single protective duty that goes into this schedule shall be based upon what is actually the difference in the cost of conversion at home and abroad.

I come from a manufacturing State and I would not knowingly protest against a single duty that would deprive the manufacturing interests in my State of sufficient protection to meet the difference in conversion costs. The manufacturer is entitled to protection to meet the difference in conversion costs, but he is entitled to no more; and nothing less than indisputable figures showing the actual difference will guide me in voting for the protective duties. I can not oppose high duties to the agriculturists of this country and vote for excessive duties in favor of the manufacturing interests of this country, and I do not propose to do it.

Mr. President, I ask that a table comparing American prices and British prices of tops be inserted in the RECORD in this connection. This table shows that 10 per cent protective duty would be ample.

The PRESIDING OFFICER (Mr. JONES of Washington in the chair). Without objection, it is so ordered.

The table is as follows:

Wool tops—American and British prices as of July 15, 1922.

American in United States.	English in England.	English in United States.[1]	Difference.	Emergency duty.	Senate bill.		
				45 cents plus 8 per cent.	35 cents plus 20 per cent.	36 cents plus 10 per cent.
Fine territory, $1.60.	70s average 55d, equals $1.02.	$1.16	$0.44	$0.53	$0.56	$0.46
½ blood, $1.30	60s ordinary 45d, equals 83 cents.	.95	.35	.52	.53	.44

[1] Allowing 3 cents a pound for landing charges (freight, marine insurance, etc.) and 10 per cent to cover expenses and profit of importer.

Wool tops—American and British prices as of July 15, 1922—Continued.

American in United States.	English in England.	English in United States.	Difference.	Emergency duty.	Senate bill.	
				45 cents plus 8 per cent.	36 cents plus 20 per cent.	36 cents plus 10 per cent.
High ⅜ blood, $1.10.	58s comeback 40d, equals 74 cents.	$0.85	$0.25	$0.51	$0.51	$0.43
Low ⅜ blood, 98 cents.	56s average 29d, equals 54 cents.	.63	.35	.49	.47	.41
High ½ blood, 95 cents.	50s average 21d, equals 39 cents.	.46	.49	.48	.44	.40
44s, 64 cents.....	44s average 14d, equals 26 cents.	.32	.32	.47	.41	.39
40s, 55 cents.....	40s average 13½d, equals 25 cents.	.31	.24	.47	.41	.39

Mr. WALSH of Massachusetts. Mr. President, I come now to a very important aspect of this question. I have tried to show that, based upon information available as to prices of British-made tops sold in the American market and as to prices of American-made tops sold in the American market, there is no justification for this protective rate of 20 per cent; that, indeed, a rate of 10 per cent would be ample.

Mr. President, what is the conclusion we arrive at from this study? It has been a somewhat long and tedious study, but an important one. The conclusion is that the 8 per cent protective duty named in the Underwood law was fair and could be justified upon the information available at that time in regard to the difference in the costs of conversion; that the rate named in the bill as it passed the House of 10 per cent—and that rate, of course, was based upon the American valuation—would have been fair and just if that 10 per cent were based upon the foreign valuation instead of the American valuation. The information at hand shows that there is no evidence before the Senate or before the committee, so far as I know, at least of an unprejudiced and disinterested character, justifying this protective duty of 20 per cent.

In the light of the information we have as to the conversion costs here and abroad, in the light of the prices in the American market of British tops and American-made tops, this rate can not be justified. In the light of the fact that the rate fixed upon raw wool—33 cents—is so high, anyway, that we are not likely to have any serious competition, because in every instance the compensatory duty takes care of what the manufacturer must pay for his raw wool, and in this instance the compensatory duty levied is ample and sufficient to take care of the cost to the manufacturer of raw wool, I am going to move that the protective rate be fixed at 15 per cent instead of 20 per cent. I think that is more than the facts justify. I think it is extremely liberal. The woolgrowers might properly accuse me, in proposing this rate, of leaning toward the interests of the manufacturers. By the way, I notice that the woolgrowers' advocates have all abandoned the Senate Chamber. It is all over for them. They got their rate, and they are no longer interested.

Mr. SMOOT. They will not do it if they know where their interest really lies.

Mr. WALSH of Massachusetts. But the Senator from Utah will agree with me that for the last three or four days every Senator who represents a woolgrowing State has been here. Are they here now?

Mr. SMOOT. They may be at luncheon.

Mr. WALSH of Massachusetts. They have not been here this morning, and the Senator knows it. Many distinguished Senators have been more regular in their attendance upon the Senate since the commencement of the discussion upon raw wool than they have been during the whole session, and that might be said of all the Senators who come from the woolgrowing States. I am not complaining, but I am asking them not to abandon us yet, but to stay here and consider these other duties. Having won their fight, they abandon the Chamber, and will only come in when the roll is called, and they will ask those representing the manufacturing interests, "What do you want us to do? We have our rate, and we will now give you what you want."

Mr. SMOOT. The Senator is wrong again, because they are just as vitally interested in tops as they are in wool. If there is not a protective duty upon the tops sufficient to keep them out, the tops will come in instead of wool, and that is exactly why they are as interested in tops as they are in wool itself, if not more so.

Mr. WALSH of Massachusetts. They are not manifesting their interest by their presence. The Senator will agree to that.

Mr. SMOOT. I admit that; but the Senator can see that that is the case, because if you give a dollar a pound on wool and then give only a dollar a pound on tops, tops will come in instead of wool. So every man who is interested in the protection of wool is certainly interested in the protection of the tops, because without that protection the tops would come in instead of the wool, and the top is the first step in the manufacture when the little fine clippings and other things are taken out of the wool.

Mr. WALSH of Massachusetts. They knew that when they won their fight yesterday that the Senate was going to levy every compensatory duty necessary to meet that 33 cents per pound, and they know that the protective duties named by the committee will be adopted. They know that the understanding arrived at or the arrangement which was made, but which was threatened to be broken during the fight upon the paragraph fixing the duty on raw wool, has been restored, so that the program will go through, and the manufacturers will get the rates fixed in this bill, because the woolgrowers yesterday got the rates named upon raw wool.

I have talked a good deal longer than I intended, but this paragraph, which for the first time raises the question of a fair compensatory duty and a fair protective duty, is one I thought required perhaps more discussion than the other paragraphs will require.

Mr. SHEPPARD. Mr. President, may I ask the Senator a question? Does his amendment involve the specific duty as well as an ad valorem duty?

Mr. WALSH of Massachusetts. It involves only the ad valorem duty, a protective ad valorem duty. I propose to change the rate named by the committee of 20 per cent to 15 per cent.

Mr. SHEPPARD. The ad valorem rate named by the committee is in addition to a specific rate.

Mr. WALSH of Massachusetts. The specific rate named by the committee is a compensatory rate, and I do not propose to change that. The specific rate named by the committee is the compensatory protection, and the compensatory protection is based upon the theory that there will be a pound and a tenth of wool used in making a pound of tops, and in view of the information furnished by the Tariff Commission that that is a fair estimate of the amount of raw wool that will be used in making a pound of tops, of course, I can not, in view of the action of the Senate yesterday, make a contest upon the compensatory duty. The objection I make is to the protective duty, which is given to the manufacturer, and ought to be based upon the difference in the costs of conversion here and abroad.

Mr. SHEPPARD. I thank the Senator for his explanation. As I understand it, the difference between him and the committee is that in the amendment he proposes the rate is 5 per cent lower than in the amendment proposed by the committee?

Mr. WALSH of Massachusetts. Exactly. I am going to ask to have put in the RECORD a table which shows the equivalent ad valorem rates of all the duties levied on tops under the Payne-Aldrich law and all the duties proposed in the House and Senate bills. This table shows the duties in the Senate bill in most instances greatly exceed the House rates, as well as the Payne-Aldrich rates.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparison of ad valorem equivalents of total duties based on foreign valuation.

TOPS.

Foreign value (cents per pound).	Payne-Aldrich.	Fordney-McCumber.	
		House.	Senate.
	Per cent.	*Per cent.*	*Per cent.*
15	188	138	265
17.5	171	189	231
30	152	116	145
50	103	74	97
80	76	51	70
100	67	43	61

Mr. SMOOT. Mr. President, this paragraph covers tops, the first step taken in the manufacture of wool goods, and I agree that the compensatory duty of 36 cents per pound is necessary, since the Senate has decided upon 33 cents on the scoured content. So I will give no time at all to that question.

The only question is as to the protective duty of 20 per cent ad valorem. I want to say to the Senator from Massachusetts

that, as far as I am concerned, I am a consistent Republican. I do not claim protection for an industry at one place in the United States that I would not willingly give to a like industry anywhere in the United States. I want to call the Senate's attention to the fact that the American people do not buy tops, and this pragraph has to be consistent from the wool to the finest finished piece of cloth, and if there is one place in it where it is not consistent and a protective duty is not given, then the woolgrower will suffer by the product coming in at that stage of the finished product, and every pound of it will displace a pound of wool grown in the United States. What would happen if you have a 5 per cent protective duty on tops with a 36 cents a pound compensatory duty? The scoured wool would not come in and the grease wool would not come in; the top would come in, and when the top comes in the whole structure, from the beginning of the first step in the manufacture to the finished cloth is upset. Such importations would displace American wool.

If they can bring in the tops and they displace $1\frac{1}{10}$ pounds of American wool for every pound imported into this country, there would be no protection that would equal the 33 cents which the Senate has voted upon scoured wool. In other words, if the rate is decreased in the protection of this article, then it means that in order to compete with the imported article in the United States the woolgrower in the United States will find his 33 cents duty is decreased.

Mr. President, I do not think it is necessary at this time to go into detail in answering the Senator from Massachusetts. The Payne-Aldrich law provided 30 per cent protection, the existing Underwood tariff law provides 8 per cent, and the committee amendment provides 20 per cent.

Mr. SHEPPARD. And the Senator from Massachusetts proposes 15 per cent?

Mr. SMOOT. Yes; he proposes now to make it 15 per cent. On the basis of present prices the result of his amendment would be that, instead of having 33 cents on the scoured wool we would have 33 cents less the 5 per cent.

There is another amendment which I desire to offer to the paragraph, which makes no difference in the rate whatever, but the words are unnecessary. On page 145, line 1, when the proper time comes, I shall move to strike out the words "not specially provided for" and the comma. Those words are meaningless because the items in this paragraph are not provided for in the bill in any other place and are not necessary to be provided for other than in this paragraph.

Mr. President, I think there is no necessity for further discussion of the subject unless some Senator desires to ask a question.

Mr. LENROOT. Mr. President, I desire to say only a few words upon the proposed amendment, but I would first like to ask the Senator from Utah [Mr. SMOOT] upon what theory the increase from 8 per cent to 20 per cent in the protective duty is justified in view of the importations under the 8 per cent duty?

Mr. SMOOT. Taking half bloods and above, and I might say, perhaps, taking quarter bloods and above, the differential would hardly be 20 per cent.

Mr. LENROOT. Why did they not come in in great volume when wool was on the free list and there was an 8 per cent duty upon tops, if it requires a 20 per cent duty now? That is my point.

Mr. SMOOT. All I can say is that conditions in the wool market, as it exists to-day, are quite different than they were when this rate of duty was in effect. Of course, it is in effect now, but the Senator knows the emergency tariff law is such that it would virtually prevent them coming in now.

Mr. LENROOT. I do not mean under the emergency tariff law. I mean normally in 1919 and 1920. Of course, in 1921 they came in very heavily just before the emergency tariff law went into effect, so as to get the benefit of the lower rate.

Mr. SMOOT. That was the reason why.

Mr. LENROOT. But normally they did not seem to come in in any volume under the 8 per cent duty.

Mr. SMOOT. If things were normal and the prices of wool were normal—I mean as to all grades—I would say frankly to the Senator that I think 15 per cent would be ample, as the proposed amendment of the Senator from Massachusetts provides. But I think the policy ought to be that if we are going to establish the wool industry in the United States it ought to be established so that wherever they begin the purchase of the wool, and particularly the American wool, it ought to be handled from the raw wool clear through to the finished product.

Mr. LENROOT. I agree with the Senator.

Mr. SMOOT. Therefore, I say that in making a tariff bill the question as to the ultimate consumer should be the protection that is upon the cloth itself.

Mr. LENROOT. That depends, does it not, upon the protection also given upon the tops, the yarns, and so forth?

Mr. SMOOT. Yes, and as one Senator I want them amply protected so that half of the business can not be taken away from the manufacturer in the United States, and leave only the other half perhaps to be done here.

Mr. LENROOT. I am entirely in accord with that proposition, but I can not see, when the imports were almost prohibited normally under an 8 per cent protective duty, why it becomes necessary to jump it to 20 per cent at this time.

Mr. SMOOT. I think to be perfectly safe, with the wool of quarter bloods and more as low as they are in price, that we can not keep them out if we do not have 20 per cent. If they were normal, I would say we would not need that amount. I virtually admit that at this time, but as I have said so many times, the coarse wools are abnormally low and I can not say how long they will continue. That is the only answer I can give the Senator.

Mr. LENROOT. Mr. President, this illustrates what the consumer will have to pay by reason of the action that was taken by the Senate with reference to the coarse wools.

Mr. SMOOT. The Senator has decided that question.

Mr. LENROOT. Yes; I know it. I say it merely illustrates how it is now necessarily carried on into tops, into yarns, into fabrics, into blankets, and every other item. I am not criticizing. I am simply stating the fact.

Because of the action with reference to the rate on tops, for instance, valued at 40 cents a pound, we are now compelled, by reason of the excessive compensatory duty—I say excessive, not by way of relationship, but on the value—to pay an ad valorem duty of 110 per cent. In other words, under the bill as it now stands, tops valued at 40 cents a pound must pay a tariff duty of 44 cents a pound.

Mr. SMOOT. That is absolutely true, because of the fact that the wool itself bears a rate of 36 cents.

Mr. LENROOT. I understand, of course, because if we are going to impose a duty of 36 cents upon the coarse wool we necessarily have to carry that compensatory duty into the tops, into the yarn, and into the cloth. I am not criticizing. I am simply stating now where the consumer must necessarily be affected when it gets into the final product by reason of the compensatory duties made necessary by the action of the Senate already taken.

Mr. SMOOT. That is, so far as the low-priced wools are concerned.

Mr. LENROOT. Exactly. I do not want to go over the matter upon which the Senate has taken action, but the Senator from Idaho [Mr. GOODING] yesterday repeatedly made the statement that the Tariff Commission found that it cost just as much to raise a pound of wool of the quarter-blood class and lower as it does of the fine wool. I do not think the Senator from Utah [Mr. SMOOT] will concur in that statement, because the Tariff Commission have never made any such finding.

They have made a finding that is exactly to the contrary. Yesterday when the statement was made I did not have the information which I thought was contained in the report of the Tariff Board, and therefore I was not in a position to challenge the statement of the Senator from Idaho. The fact is, as the Senator from Utah will admit, that the report of the Tariff Commission, where they found that the cost of raising a pound of wool, including interest, was 45 cents, and without interest from 35 to 37 cents, covered only the territory wools, only the wools in the range States, only the high-shrinkage wools. They made no finding in their recent report upon wools upon the farms east of the range States. Their report covered only the territory wools.

But in 1911 the Tariff Board, in a very comprehensive investigation which it made at that time, went very thoroughly into the question of the cost of raising the wool of the cross-bred sheep and of the fine wool, and I now have that information and I want to put it in the RECORD.

In the Report of the Tariff Board, volume 2, pages 368–369, they found that of the finest class of wools the actual cost—that is, the cost to be charged to that wool—was 40 cents a pound when the selling price was 28 cents a pound, a loss to the woolgrower of 12 cents a pound.

Mr. POMERENE. I do not think the Senator stated to which wool that refers. The Senator from Utah informs me it refers to the finer wools. I merely want the RECORD to show that.

Mr. LENROOT. I am just now referring to the fine wools.

Mr. POMERENE. I was not sure that the Senator so stated. I merely wanted the RECORD to show.

Mr. LENROOT. That refers to the finest wool. On the next grade they found the cost to be charged to wool was 32 cents a pound when the selling price was 27 cents. On the next grade it was 27 cents cost and the selling price 26 cents. On the next grade it was 22 cents cost and the selling price 27 cents. On the next grade it was 12 cents cost and the selling price 24 cents. Then they have a separate table upon the cost of raising wool of the crossbred, which is three-eighths and lower, and instead of there being any charge against the wool of the crossbred, there was a credit in 1911 of 2 cents a pound. In other words, the receipts on the first class——

Mr. SMOOT. Of course, the Senator knows those figures would not apply to-day?

Mr. LENROOT. Oh, no. It is, of course, only a question of relationship. The figures I am giving have no bearing upon present cost whatever, but I think the Senator will admit that they are important as bearing upon the relationship.

Mr. SMOOT. They are relatively so, with this exception: Of course, there is a plan now of disposing of lambs as against disposing of wethers in years past, which has changed the relative cost of the wool. But I say to the Senator frankly that there is something of a difference even to-day in the different classes of wool.

Mr. LENROOT. On the first class upon which the Tariff Commission reports the net charge per head was $2.81, while the receipts per head, wool and mutton, were $2.10. On the next class $2.59 was the charge and the receipts were $2.24. On the next class the net charge per head was $2.50 and the total receipts were $2.49.

Now we come to crossbreds. The charge was $2.78 and the receipts were $4.38 per head. Of course, that tells the story of why the farmers are raising crossbreds at all in the United States. It is because their chief value is for mutton and not for wool. The relationship of that is given by the Tariff Commission. While for the finest wools the percentage of receipts for wool is 78 as against 22 for mutton, when we come to the crossbreds the receipts for wool are only 33 per cent as against 67 per cent for mutton. Will anyone say, then, that it costs as much to raise wool from the crossbreds as it does from the merino? Of course not.

Now, then, to carry the matter one step further and give the conclusions of the Tariff Commission, they say, on page 372:

> In the case of crossbred flocks the receipts from other sources are derived almost entirely from mutton, and since the schedules show but few mature sheep sold except the ewes culled from the flock, such receipts must consist mainly of returns from sales of fat lambs. The wool sold is chiefly from the breeding ewes, as but few or no wethers are kept.

Again, further on they say:

> In the case of the crossbred flocks the average total maintenance costs per head are, as already stated, $2.78, and the average receipts per head from other sources than wool are $2.92. The receipts, therefore, pay the total costs and afford a balance of 16 cents, which, added to the total receipts per head from wool—$1.46—produce a total of $1.62 per head as profit.

In their summary they say:

> In the western region of the United States, with approximately 35,000,000 sheep, the net charge against a pound of wool is about 11 cents.

Under the present figures it would be 37 cents as against 11 cents as reported in 1911. That is correct, is it not?

Mr. SMOOT. That is in the grease, I will say to the Senator.

Mr. LENROOT. I understand it is all in the grease.

> In the other sections, with about 15,000,000 sheep, the net charge against a pound of wool from the merino sheep, which number approximately 5,000,000, is about 19 cents, and the net charge against the wool grown on sheep of the crossbred type is negligible.

Mr. President, basing the proposition upon the report of the Tariff Commission, I think I have demonstrated the accuracy of what I said last night that the tariff rate of 33 cents will afford very much higher protection, based upon the cost of production, to the growers of crossbred sheep than it will to the growers of wool of the high shrinkages. I wanted to get those facts into the RECORD, because I do not want to be understood as standing here upon the floor and advocating a lower rate of protection proportionately for one class of sheep growers than I do for another class of sheep growers.

Mr. President, I am not going to preach any funeral sermon over what has been done, but if we could have made a distinction between the quarter blood and lower we would have given to the growers of the quarter blood the same equal proportionate protection that we do to the growers of the territorial wool, and yet we could have reduced prices to the consumers in this country very materially.

Mr. SMITH. Mr. President, I do not think there is any more appropriate time than the present to call attention to some of the difficulties under which the farmers and truck growers of this country are laboring. An old preceptor of mine once said to me that one illustration was worth an hour's argument. I have listened to this debate from the beginning of the tariff discussion until now, and I have wondered what effect the debate would have upon the American public. The judgment of the American people will be based upon what law you finally pass. I have here a communication from a constituent of mine relative to one of the products of the farm and of our State.

I have formerly taken occasion here to call attention to the fact that it is practically impossible for the farmer to receive certain benefits which you are trying to secure to the American farmer; that it is impossible for the farmer, situated as he is, to receive anything like his share of such benefits under the proposed tariff.

We have on the statute books a law which empowers the Interstate Commerce Commission to fix such rates, fares, and charges on the railroads as shall approximately yield a return of 6 per cent for the capital invested by the railroads for the public use. That commission doubtless has endeavored to do that, and that is illustrated in the letter which I am going to read.

There are organized commission men who have a fixed charge; there are organized fertilizer men who have a fixed charge. Now, I wish the Senate to listen to this letter, which is written to me and which incloses some New York commission house accounts of sale of the article in question, showing what part of the proceeds were received by the farmer who in the heat and cold went out and caused to be produced in his fields edibles for the people in the city to which they were shipped. I am going to read the letter. It indicates that, while we are busy passing laws of which, because of the nature of their organization, the manufacturers and the financiers can avail themselves, we have utterly neglected to provide means by which the agricultural interests of the country can capitalize their work in such manner as to force a just division of the proceeds from the wealth which they produce. The letter is written to me by a man who lives in the heart of the truck-producing section of my State. He says:

> DEAR SIR: I am just wondering if I'm doing the right thing in taking a minute of your valuable time to listen to a complaint that is general in this section this year. The inclosed sales of melons will explain in a glance what I mean. I shipped these melons to New York, and they sold for less than the freight and commission. In other words, the railroad company charged me from $132.50 to $150.34 on the same cars' melons, the commission man got his commission, and, under my guaranty, I will have to send my check for $63.48 to square accounts, having already lost the melons. In other words, I paid $63.48 for the privilege of giving New York three cars of good melons. The railroad got theirs, the commission man his, and me and my hands sweated over these for several months and then was called on to pay $63.48, in addition to losing fertilizer, seed, and all the work done. Can this be remedied? Seems to me that it's so unfair for the farmer to lose all, that the railroad should be made to refund at least $50 a car on this year's shipments, and that rates should be fixed for another season so that the farmer could at least live. I don't know what you can do, perhaps nothing, but if anything can be done I'm sure that you with the help of the others can do it.

Mr. President, I ask to have printed in the RECORD the three accounts of sale which accompany the letter.

The PRESIDING OFFICER. Without objection, it is so ordered.

The accounts of sale are as follows:

(Frank Hewitt & Co., wholesale fruit and produce and commission merchants, 23 and 24 Bronx Produce House, One hundred and thirty-second Street and Willis Avenue. Sales No. 4838. Received 7/12. Via New Haven. Car No. Sea 27691.)

NEW YORK, *July 18, 1922.*

Sold for the account of S. W. Copeland, Ehrhardt, S. C.:

1 car melons	$135.00
Freight	150.34
Commission	13.50
Total	163.84
Sold	135.00
Deficit	28.84

(Frank Hewitt & Co., wholesale fruit and produce and commission merchants, 23 and 24 Bronx Produce House, One hundred and thirty-second Street and Willis Avenue. Sales No. 4839. Received 7/13. Via New Haven. Car No. Sea 27481.)

NEW YORK, *July 18, 1922.*

Sold for the account of S. W. Copeland, Ehrhardt, S. C.:

1 car melons	$125.00
Freight	132.14
Commission	12.50
Total	144.64
Sold	125.00
Deficit	19.64

(Frank Hewitt & Co., wholesale fruit and produce and commission merchants, 23 and 24 Bronx Produce House, One hundred and thirty-second Street and Willis Avenue. Sales No. 4800. Received 7/11. Via New Haven. Car No. ACL 22325.)

NEW YORK, *July 18, 1922.*

Sold for the account of S. W. Copeland, Ehrhardt, S. C.:

1 car melons	$135.00
Freight	136.50
Commission	13.50
Total	150.00
Sold	135.00
Deficit	15.00

Mr. SMITH. As will be noted, the figures indicate a total deficit which had to be met by the grower and shipper of the melons of $63.48 on the three cars of melons.

Mr. President, some of us who patronize restaurants give 20 cents for one-eighth of a watermelon, representing a retail price of $1.60 for the melon. The writer of the letter which I have read gives all his time, his land rent, and the labor of himself and his employees, and then pays $63.48 for the privilege of shipping the melons produced by him to the city. The main point is that the railroads, for melons shipped on an open car, which is very often a cattle car, received $150 for one car from Ehrhardt, S. C., to New York, while the producer of the melons, at the mercy of a combination in the sale of his product, has to pay from $12 to $15 a car for the privilege of sending his melons to New York.

Mr. WATSON of Georgia. Mr. President——

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Georgia?

Mr. SMITH. I yield.

Mr. WATSON of Georgia. I should like to ask the Senator from South Carolina whether or not the outrageous freight charge imposed upon the melon shipper has been legalized by the Interstate Commerce Commission?

Mr. SMITH. As a matter of course, under the present law the Interstate Commerce Commission was converted into a taxing machine for the benefit of the railroads.

Mr. WATSON of Georgia. Then, Mr. President, is not the real crime in the case—the crime of robbery—that of the Interstate Commerce Commission, and can not we handle it?

Mr. SMITH. Yes. The fact of the business is that we, a legislative body, ought not to take into account alone certain public utilities which necessarily belong to our jurisdiction, but, in adjusting the compensation for the work rendered by the carriers and other public utilities, there ought to be taken into consideration the condition under which the carriers are supported. What I mean to say is that if we by legislative enactment—and I do not know but that we should do it—are going to determine rates and take over the regulation of what the railroads shall charge, then we, as legislators, ought to provide a method by which those who produce the freight shall have means at their disposal by which they may graduate their prices in accordance with the overhead which we impose upon them.

What have we done in the way of legislation that would enable these men to form a system of selling by which, when the man knew that the freight would cost him $150 a car, he could regulate the price of his melons to a point where it would absorb the $150 and still leave him a profit? What provision have we made to our agricultural classes in the form of banking legislation or credit legislation that meets their needs as adequately as we have provided for the needs of the ordinary commercial enterprises of this country?

Mr. WATSON of Georgia. Mr. President——

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Georgia?

Mr. SMITH. I yield.

Mr. WATSON of Georgia. On the Interstate Commerce Commission there are two members from the State of New Jersey—a State which is notoriously crisscrossed by railroads and electric lines, and has almost no agricultural interests at all. The great southern coast of this country, from Kentucky on up to north Virginia, including the seaports of Galveston, of Miami, of Fernandina, of Brunswick, of Savannah, of Charleston, of Norfolk, has no representative whatever on that commission. What redress will we ever get so long as we stand here and talk about it, and do not get together and agree to do something?

Mr. SMITH. Mr. President, I think it is unfortunate that the southeastern division of the freight tariff has not a representative on the commission; but, in all justice to the Interstate Commerce Commission, it must be said that they are operating under the laws that Congress passed. We have granted them the power and laid upon them almost a command to fix rates, fares, and charges at a point that will average 6 per cent, not upon the active roads alone but upon the property devoted to the public use. We are busy here with a tariff under the plea that we hope to preserve the American scale of wages and American industries for the American people, providing by this very law a means by which competition is practically stifled, because no man can read this bill and compare it with those that have gone before without agreeing that it approximates an embargo. The truth of the matter is that protection, when it gets away from the idea of aiding in the development of an infant industry, assumes the aspect of an embargo. By no process of reasoning can you arrive at any other conclusion. It is, to all intents and purposes, a legalized form of destroying foreign competition with the domestic manufacturer. Organized means are necessary and essential for any artificial production, such as that of the manufacturer. He can avail himself of this law because he can control his output. He can curtail his production at any hour; but when it comes to the natural producer, he has no control over either the quantity he is to make or the quality of what he is to make; and hence, not being able to take an order for future delivery with the knowledge that he can fill it both as to quantity and as to quality, he must wait until the product is ready, and when millions of his fellows in like condition with himself are ready, you have a 12 months' supply on the market that must be disposed of within 30 to 90 days to meet the obligation incurred in its production. What is the result? The man or the men who are organized and have the means buy the product on the market, discounting the carrying charges for the next 12 months, and then giving the producer what in their judgment it would be safe to give him and allow the buyer to have a safe profit.

I say that we have been derelict in our duty. After 150 years of American history, those who have clothed us and fed us and shod us have to go hungry and barefoot and naked in the midst of plenty, because we have not provided the means by which they can dispose of the wonderful wealth they produce in such a manner and in such quantities as will guarantee them a living profit.

Where is there written upon the statute books a banking system or a credit system by which such absurd things as the return sales that I have read would be possible? Each year, with the fluctuations of governmental control from Republicans to Democrats and back again, we hear the cry of a tariff. It is a paramount issue, and up until the present Congress I thought it was the dividing line between the two parties. I am beginning rather to modify my ideas about that; but, anyhow, we have considered the tariff the dividing line between the two parties, and we were doing what? Every man knows that we were legislating for special interests to get special profits.

Think of the absurdity of a body of men such as the United States Senate is reputed to be legislating as we do and claiming that we are doing it for the benefit of American labor! We put on this tariff under the guise of wanting American labor to have the benefit of protection against the competition of the pauper labor of Europe. Show me one line in this bill or in any tariff bill ever written where we have provided that the rise in price accruing by virtue of the tariff should be paid to the labor employed in producing the articles. There is not a line nor a suggestion of a line which says that whatever additional price accrues shall go to labor, or shall even be divided with labor. You give it to the manufacturer in the sale of his goods and trust his philanthropic impulses as to what he will give labor.

I think that at some time during the discussion of this bill I shall introduce an amendment to the bill to the effect that whatever difference in price accrues to any manufactured article produced in this country under this bill shall be given to the labor employed in its production, or at least a certain percentage of it; and I will make provision in my amendment that the Federal Government shall indicate the proper officer to see that that is done.

If we are doing this for labor, let us write labor in this bill and see that they do get it. Instead of giving it to the manufacturers and saying to them, "We are going to protect you against the competition of the pauper labor of foreign countries in order that you may give a decent American wage to American labor," let us, as honest men, put it in the bill and make provision that it shall be carried out.

Here is a laborer, and he pays $63.48 of actual money out of his pocket for the privilege of giving New York three carloads of watermelons, besides his land rent and his fertilizer and his time and his money that he spent in producing them. We can not sit here and do this thing forever and forever, with a constituency feeling the grind of the unfairness and the in-

consistency of this condition, without danger to us and danger to the Republic. We are not deceiving the American people as well as we think we are. These things can not go on and this country prosper politically, socially, or morally. We are charged with the duty of regulating these things. We are charged with the duty of seeing that our commercial and economic laws are so framed that every man shall have an equal chance to benefit according to his ability. Read this bill and see how much we have equalized or proposed to equalize the burden.

We are going to put a tax on bagging; we have a tax on ties; and the southern farmer puts his free cotton in taxed bagging and ties, and under the 30 per cent tare he has to give away his bagging and ties to the purchaser of the cotton. He not only pays the ordinary price but he pays a duty on them and gives them away.

Mr. DIAL. Mr. President——

The PRESIDING OFFICER. Does the Senator from South Carolina yield to his colleague?

Mr. SMITH. I yield.

Mr. DIAL. They even tax the arsenic with which the grower of watermelons tries to keep the bugs off the watermelons, do they not?

Mr. SMITH. That is a fact. I had not thought of that. It did not occur to me. They come in here with a duty on a by-product called arsenic that the melon grower of the South is depending upon now to keep what is called the cucumber bug from eating up his watermelons. They actually put a duty on the arsenic by which he hopes to poison the insect that possibly would ruin his watermelon crop. He not only has to pay for his arsenic, but now they propose to put a duty on it. He pays all the freight and the overhead charges and gives up his land rent, and then goes into his pocket and takes out $63.48 of money that he earned in some other way and makes that a present to the people who take his watermelons.

Mr. WALSH of Massachusetts. Perhaps it is to prevent the disheartened and discouraged consumers who have to pay the taxes levied in this bill from poisoning themselves.

Mr. SMITH. I do not think they are going to poison themselves; but, God bless your soul, they are going to poison some other people. Now, you can remember that. This poisoned bait, designed to kill off all foreign competitors, is going to kill off some home people. You can not do this thing.

I sat here the other day and listened to the discussion as it wandered off into details and minutiæ, and I thought: "What is the issue?" The issue was, from the Republican standpoint, what was a reasonable rate of duty to measure the difference between the cost at home and abroad? What were you doing? You were discussing how much was imported and how much was exported, and when you got it down to the last analysis the question was, How much did the manufacturer say he wanted? That is the basis upon which this bill is written.

Mr. President, I am not going to bring a railing accusation against the other side. Some one has said that the most dangerous thing in the life of a man or a community is the horrible inertia of habit. We have actually gotten into the habit of thinking in terms of manufacturers and their prosperity, while the consumers and producers of the raw material never seem to cross the legislative brain. Their cry comes up, and it is unheeded. When organizations are formed by people to protect themselves we are disposed to think that they are outside the law. When we thoughtfully, or thoughtlessly, provide the very means by which one class of our citizens may organize for their own benefit and to the hurt of others, we need not be surprised when the helpless ones organize to protect themselves. The logic of modern events is combinations. It is the absolute sequence of modern law and its modern application. We will never be able to destroy the tendency toward combination. Combinations are inherent and natural forces of the creative hand. But we should provide that each and every necessary organization in this country should have the same law, and the same opportunity under the law.

I had not intended to say this much, but I do feel acutely the existence of these conditions right at the time when we are spending weeks and months devising means by which the manufacturers of this country may be protected and their profits guaranteed. I am not inveighing against the stand of the Republican Party, but I do say that, in this bill, we should have a reasonable regard for the men who produce the material out of which the manufacturer must live. I think we ought to amend our transportation act now. I think we ought to incorporate into this bill at least such a modification of the rates proposed here as will give the consumer and the producer an opportunity to live.

Before I take my seat let me call the attention of the Senate to another thing. I took occasion to go down street the other day to purchase a pair of shoes, and so far as the retail price of shoes is concerned, there has been practically no diminution from the war peak. I paid $14.50 for a pair of shoes which readily sold for $5 or $6 before the war. I went to my tailor to have a suit of clothes made, and he charged $107 for a suit that just before the war I could get for from $45 to $50.

With that kind of thing going on, and the purchasing power of the dollar of the ordinary laborer and farmer shrinking to one-quarter its pre-war purchasing power, so far as we can avoid it we should not pass any law by which any discrimination in prices would be possible. I think it would be a wholesome lesson to the shoe dealers of America if we were to take the duty off shoes, as we did in the case of hides; take it all off. I do not know whether that would avail or not, for the reason that we have to wake up to the fact that the facilities for transportation and communication have become so perfect the world over that we have international combinations now where there used to be only national combinations. The markets of the world, as I attempted to show when I had charge of the duties on thread in the cotton schedule, are under the control of these gentlemen, and they fix prices regardless of tariffs and regardless of whatever financial system you may set up. They have the power to crush competition and reimburse themselves at their pleasure. They have a worse power than that. They have a power to invite competitors to join and make it possible for them to join, and when they reach that stage competition dies. Those are the conditions existing now.

Mr. SMOOT. Mr. President, the Senator's watermelon story is not half as bad as one I can tell about a carload of peaches which came all the way from Utah to Chicago. Not only did we not get anything for the peaches—they were dumped into the river—but we had to pay for the peaches and the freight and the boxes the peaches were put in. How is the Senator going to arrange the distribution of these products? For instance, peaches have to go onto the market within 30 days after they are picked; the whole crop has to be marketed within that time. The incident to which I referred happened a few years ago, not in one case but in hundreds of cases. Following that, I know of whole orchards of peach trees, of 10 acres, 20 acres, or 30 acres, which were absolutely dug up, which cost at least a thousand dollars an acre to plant and grow, and which were bearing peaches. How does the Senator intend to regulate the distribution of such perishable goods? I think the watermelons to which the Senator referred went on the New York market, and perhaps the market was overflooded with watermelons and the price went tumbling down.

Mr. SMITH. It always does in such a case.

Mr. SMOOT. I have said many a time on the floor of the Senate that there is something radically wrong with our distribution system. There is something wrong not only with the amount of profits charged the consumer, but the distribution and the handling of them need remedying. That is one of the greatest questions we have in America to solve to-day.

Mr. SMITH. Mr. President, it is a significant fact that for nearly 50 years the Republicans have been in power, and they never even approached a solution of the problem. We did make a start under the Democratic administration through a modification of our banking and currency law.

I will say to the Senator from Utah that perhaps there is a dawn of relief from the splendid object lesson of the California Fruit Growers' Association. They had to combine and sell their products on the ground. They fixed the price and told the purchasers to come and get it. Through our miserable lack of initiative in taking care of those who are helpless under present conditions we are driving them into mutual cooperative organizations. It is going to force them to take the marketing business in hand and dictate their own terms. Labor, in order to protect itself, has organized, and we are beginning to have an object lesson now as to what the organization of labor means.

Mr. STANLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Kentucky?

Mr. SMITH. I yield.

Mr. STANLEY. The Senator is talking about a subject that is of very great interest to me, and one to which I have for the last 20 years given such poor thought as I could.

I have heard a great deal of talk, a great deal of discussion, of the farmer taking the market into his own hands. The farmers in Kentucky time and again have in a measure dictated the price of their tobacco. I saw them start tobacco at 3 cents a pound and run it up to 12 cents. That is easily understood.

Here is an area you can cross in a few hours by automobile, from north to south, or east to west, cultivated by intelligent men, who can meet for the purpose of cooperation.

The volume of the commodity is such that it can be controlled. They can fix the price for the time being, if not permanently. The fruit growers in California and the truck farmers on the Eastern Shore of Maryland can do the same. The growers of long-staple cotton might do it.

But take wheat, which is grown on every acre of arable land between the Tropic of Capricorn and the Tropic of Cancer and the polar zones. It is grown under all sorts of conditions, by all sorts of people, men speaking all sorts of languages, with all sorts of customs. If you held every bushel of wheat raised in the United States you would not materially affect its price.

Suppose the farmer held his corn; what good would it do him? He would have to control the price of wheat, he would have to control the price of other things which could be substituted for corn.

As a friend of the farmer it is my candid opinion that anything like a control by cooperative action of the staple commodities he sells is utterly impossible, except under the conditions I have named. On the other hand, everything he buys can be controlled by the manufacturer and producer.

In my own State of Kentucky they have lately repealed perhaps the best antitrust law ever put on the statute books.

I can conceive of no worse friend to the farmer than he who comes to him with the story that he will benefit him by repealing antitrust laws, by exempting him from any kind of law preventing combination in restraint of trade, by fattening him with the filthy usufruct of a protective tariff, by endowing him with political rights as a class instead of endowing him with political rights as a citizen. Those who talk that way may think they are the friends of the farmer, but to the judicious they are the most dangerous enemies agriculture has to-day; not that they are not sincere, not that they are not well meaning, not that they are demagogues—although many demagogues play upon that chord—but if they believe it they are mistaken; if they say it without believing it, there is no necessity for any characterization.

Mr. SMITH. Mr. President, the idea the Senator has advanced, the history of the past seems to bear out.

I wish to make one further statement, and then I am not going to discuss the subject further. I said a moment ago that the logic of events, the natural sequence of modern employment of mechanical forces in the production of the world, have made combinations absolutely necessary in order to meet——

Mr. STANLEY. Mr. President, if the Senator will pardon me, I hope I shall not be misunderstood as in any way opposing farmers' organizations for collective bargaining. They are perfectly right and proper. What I mean is that the farmers should form those organizations within the antitrust laws, which is easy enough, and not seek for exemption or repeal of those laws, because they would suffer more than they would gain by it.

Mr. SMITH. The thoughtful, I am sure, will agree with the statement I have made that combinations are the necessary result of the logic of events and the natural sequence of modern employment of mechanical forces in the production of the world, and, therefore, the corollary of that is equally true, that the tremendous, incalculable power that grows out of these combinations will be used for the purpose of enriching the members of the combination, and under another natural law, viz, that everything moves along the line of least resistance; the unorganized, being in position to offer the least resistance, become the necessary victims. Therefore the agriculturists of the country must learn to lose their identity as individuals in the sale of their produce, just like members of a corporation lose their personal identity as stockholders, leaving it to the sales agents to transact the business for them.

I think we are rapidly approaching that condition, but right at the very beginning of this necessary and commendable effort on the part of agriculture to combine for the purpose of distributing the wealth they have produced over the season when the trade will absorb it they find themselves totally without a banking or credit system which will meet that condition. We have provided a system of commercial banking for 30, 60, or 90 day paper that will challenge the world. Every one of the principal civilized Governments of Europe has an agricultural banking system to meet the necessities of the agriculturists of their country; but in the very beginning of the effort on the part of the agriculturists of this country to combine to meet combination they find themselves totally unprovided with any system by which they can meet the peculiar exigencies which necessarily inhere in their business.

Mr. WALSH of Massachusetts. Mr. President, I ask for the yeas and nays upon my amendment.

The yeas and nays were ordered.

Mr. WALSH of Massachusetts. I ask that the Secretary report the amendment which I have proposed to the committee amendment.

The PRESIDING OFFICER (Mr. SPENCER in the chair). The Secretary will report the pending question.

The READING CLERK. On page 145, line 2, the Senator from Massachusetts [Mr. WALSH] moves to strike out "20" in the amendment of the committee as modified and insert "15," so that it will read "15 per cent ad valorem."

The reading clerk proceeded to call the roll.

Mr. GLASS (when his name was called). I transfer my general pair with the senior Senator from Vermont [Mr. DILLINGHAM] to the senior Senator from Texas [Mr. CULBERSON] and vote "yea."

Mr. HALE (when his name was called). I transfer my pair with the senior Senator from Tennessee [Mr. SHIELDS] to the junior Senator from Maryland [Mr. WELLER] and vote "nay."

Mr. JONES of New Mexico (when his name was called). I transfer my general pair with the senior Senator from Maine [Mr. FERNALD] to the senior Senator from Nevada [Mr. PITTMAN] and vote "yea."

Mr. McCUMBER (when his name was called). The junior Senator from Nevada [Mr. ODDIE] if present would vote "nay" upon this question. Therefore I transfer my pair with the junior Senator from Utah [Mr. KING] to the junior Senator from Nevada [Mr. ODDIE] and vote "nay."

Mr. NEW (when his name was called). Transferring my pair with the junior Senator from Tennessee [Mr. MCKELLAR] to the junior Senator from Washington [Mr. POINDEXTER], I vote "nay."

The roll call was concluded.

Mr. BALL. I have a general pair with the Senator from Florida [Mr. FLETCHER]. I transfer that pair to the junior Senator from Vermont [Mr. PAGE] and vote "nay."

Mr. BURSUM. I have been requested to announce, on behalf of the senior Senator from California [Mr. JOHNSON], that if he were present he would vote "nay" on this question. Had he been present on the previous vote he would have voted in favor of the committee amendment.

Mr. McCUMBER. The junior Senator from Idaho [Mr. GOODING] is necessarily absent from the Chamber. If he were present, he would vote "nay."

Mr. McLEAN. I transfer my pair with the senior Senator from Montana [Mr. MYERS] to the junior Senator from Idaho [Mr. GOODING] and vote "nay."

Mr. DIAL. I am paired with the senior Senator from Michigan [Mr. TOWNSEND]. I transfer that pair to the junior Senator from Rhode Island [Mr. GERRY] and vote "yea."

Mr. WALSH of Montana (after having voted in the affirmative). I inquire if the Senator from New Jersey [Mr. FRELINGHUYSEN] has voted?

The PRESIDING OFFICER. That Senator has not voted.

Mr. WALSH of Montana. I have a pair with that Senator, and in his absence, being unable to obtain a transfer, I withdraw my vote.

Mr. SMITH (after having voted in the affirmative). I have a general pair with the Senator from South Dakota [Mr. STERLING], who is absent. Being unable to secure a transfer, I shall have to withdraw my vote. If permitted to vote, I would vote "yea."

Mr. WATSON of Georgia. I have a pair with the senior Senator from California [Mr. JOHNSON]. In his absence, being unable to obtain a transfer, I withhold my vote.

Mr. CURTIS. I wish to announce that the junior Senator from California [Mr. SHORTRIDGE] and the senior Senator from South Dakota [Mr. STERLING] are absent on official business.

I also wish to announce the following general pairs:

The Senator from New Jersey [Mr. EDGE] with the Senator from Oklahoma [Mr. OWEN];

The Senator from West Virginia [Mr. ELKINS] with the Senator from Mississippi [Mr. HARRISON];

The Senator from Indiana [Mr. WATSON] with the Senator from Mississippi [Mr. WILLIAMS]; and

The Senator from West Virginia [Mr. SUTHERLAND] with the Senator from Arkansas [Mr. ROBINSON].

The result was announced—yeas 21, nays 33, as follows:

YEAS—21.

Ashurst	Heflin	Pomerene	Underwood
Borah	Hitchcock	Sheppard	Walsh, Mass.
Caraway	Jones, N. Mex.	Simmons	Watson, Ga.
Dial	Kellogg	Stanley	
Glass	Lenroot	Swanson	
Harris	Overman	Trammell	

NAYS—33.

Ball	Calder	Colt	Hale
Broussard	Cameron	Curtis	Harreld
Bursum	Capper	Ernst	Jones, Wash.

Kendrick	McKinley	Newberry	Spencer
Keyes	McLean	Nicholson	Warren
Ladd	McNary	Pepper	Willis
Lodge	Moses	Phipps	
McCormick	Nelson	Ransdell	
McCumber	New	Smoot	

NOT VOTING—42.

Brandegee	Frelinghuysen	Oddie	Stanfield
Crow	Gerry	Owen	Sterling
Culberson	Gooding	Page	Sutherland
Cummins	Harrison	Pittman	Townsend
Dillingham	Johnson	Poindexter	Wadsworth
du Pont	King	Rawson	Walsh, Mont.
Edge	La Follette	Reed	Watson, Ind.
Elkins	McKellar	Robinson	Weller
Fernald	Myers	Shields	Williams
Fletcher	Norbeck	Shortridge	
France	Norris	Smith	

So the amendment of Mr. WALSH of Massachusetts to the amendment of the committee was rejected.

Mr. SMOOT. On page 145, in line 1, I move to strike out the words "not specifically provided" and the comma.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The READING CLERK. In paragraph 1106, page 145, line 1, the Senator from Utah proposes to strike out the words "not specially provided for" and the comma.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee as modified.

The committee amendment as modified was agreed to.

The next amendment of the Committee on Finance was, on page 145, after line 2, to strike out—

PAR. 1107. Yarn, made wholly or in part of wool, valued at not more than 55 cents per pound, 20 cents per pound and, in addition thereto, 15 per cent ad valorem; valued at more than 55 cents but not more than $1.50 per pound, 30 cents per pound and, in addition thereto, 18 per cent ad valorem; valued at more than $1.50 per pound, 30 cents per pound and, in addition thereto, 20 per cent ad valorem.

And in lieu thereof to insert:

PAR. 1107. Yarn, made wholly or in chief value of wool, valued at not more than 30 cents per pound, 26 cents per pound and 30 per cent ad valorem; valued at more than 30 cents but not more than $1 per pound, 39 cents per pound and 35 per cent ad valorem; valued at more than $1 per pound, 39 cents per pound and 40 per cent ad valorem.

Mr. WALSH of Massachusetts. Mr. President, this is an important amendment. I wish to point out, first, that there are three distinct changes proposed in the Senate committee amendment when compared with the House provision. The first change is that the Senate committee amendment proposes to increase the compensatory rate. That probably is justified upon the ground that the rate upon raw wool has been increased. While the compensatory rate may be justified upon that ground, the fact remains that the burden to the consumer is being carried along through all of these various items by reason of the oppressive and very high rate of 33 cents per pound upon the raw wool.

The second change to be noted is that the ad valorem protective duties in the House text have been doubled in the Senate committee amendment. That may be explained in part by reason of the fact that the House ad valorem rates were based upon American valuation, while the Senate rates are based upon foreign valuation; but that does not fully account for the doubling of the ad valorem rates. There has been an added protection given to the makers of yarn by the high rates provided in the Senate committee amendment.

Thirdly, the Senate committee amendment lowers the brackets. The lowest bracket provided by the Senate committee amendment, namely, yarns valued at not more than 30 cents per pound, is useless, because it is inoperative. There is no yarn made with a lower valuation than 30 cents a pound, and the only purpose of including that bracket is for camouflage, to make it appear that a lower rate has been fixed upon yarns of less value than 30 cents per pound than upon yarn of a higher value than 30 cents. So we are concerned about the other two brackets which deal with yarn valued at more than 30 cents and not more than $1, where the specific rate is 39 cents per pound and the ad valorem protective rate is 35 per cent; and yarns valued at more than $1 per pound, where the compensatory duty is 39 cents per pound and the protective duty is 40 per cent ad valorem.

As regards these brackets, we are again confronted with the questions which we considered when we were discussing tops: Are the compensatory duties provided in the Senate committee amendment fair, and can they be justified in the light of the information available as to the shrinkage of clean wool in making yarn? Are the protective duties fair, and are they justified by the difference in conversion costs in America and the United Kingdom?

I do not know that I can put the cases before the Senate in any better way than to call attention to what these rates indicate in ad valorem terms. Yarn valued at 30 cents per pound will bear an ad valorem duty of 116⅔ per cent, which means that a pound of yarn coming into the port of Boston, New York, Savannah, or New Orleans that represents a foreign valuation of 30 cents when bought by the manufacturer to be made into cloth will cost over 65 cents a pound.

Yarn valued at $1, under the rate provided in the committee amendment, will bear an ad valorem duty of 74 per cent, while yarn valued at $2 will bear an ad valorem rate of only 59 per cent. Thus it will be noted that the cheaper yarns instead of bearing a lower duty, as the wording of the bill would on its face indicate, bear a much higher duty. So when we come to vote upon the duties in this paragraph I want it clearly and distinctly understood that a vote for the committee amendment is a vote to double the price of yarn to the manufacturer who wants to buy foreign yarns made from the cheaper grade of wool and to make a lesser increase in the price of yarns made of the high-grade wool.

In order that we may understand more fully the excessive character of this protective duty, I should like to call attention to the duties levied in other laws.

Mr. SIMMONS. Mr. President——

Mr. WALSH of Massachusetts. I yield to the Senator from North Carolina.

Mr. SIMMONS. I merely wish to ask the Senator a question. I understood the Senator to say that the proposed rate upon yarn valued at not more than 30 cents was practically double some other rate, but I did not catch with what the comparison was made. Was the Senator making the comparison with the present law or with the Payne-Aldrich law?

Mr. WALSH of Massachusetts. The rates provided in the Senate bill, translated into ad valorem terms, represent an ad valorem duty of 116⅔ per cent upon yarns valued at 30 cents foreign valuation, and upon yarns valued at $1 the Senate rate translated into the ad valorem equivalent represents a duty of 78.6 per cent.

Mr. SIMMONS. I understand that, but I understood the Senator in speaking about the rate on the low-grade yarns to say that the ad valorem equivalent was double some other rate.

Mr. WALSH of Massachusetts. No. I intended to say, and I think I did say—perhaps the Senator did not understand me—that the ad valorem rate was so high that the price would be doubled, that the foreign price of 30 cents would become to the American manufacturer buying foreign yarns, after the duty was paid, 65 cents.

When we come to consider the question of protection we ought to ask ourselves not only what is the conversion cost in the making of yarn in America compared with the conversion cost abroad, but also is there any danger to this industry from a flood of imports of yarns which will destroy the business of the American spinner?

The facts are that practically the only imports of yarns under any of the laws of the past have been yarns of such a character—fancy-made yarns—as the American manufacturers of certain fabrics require and which are not made in this country. There has been practically no direct competition whatever through the importation of yarns with the yarns made by the American spinners. So it can not be argued that a situation exists in this country which requires protection because the market is being flooded or is likely to be flooded with the cheaply made yarns which would endanger the business of the American spinner.

Before I take up the question of the cost of the foreign yarns of a given grade and the American cost of yarns of a like grade, to determine the difference between the two and to see how it fits into this duty, I wish to discuss corresponding provisions of previous laws.

In the first place, take that much repudiated and condemned act, the Payne-Aldrich law. I do not know whether Senators have observed it or not, but no one has condemned it more vigorously than the Senate Finance Committee and nothing has condemned it as severely as the record which the Senate Finance Committee have produced here.

Mr. POMERENE. And they have condemned it as much as they defended it before.

Mr. WALSH of Massachusetts. As the Senator from Ohio suggests, they have condemned it as vociferously and as earnestly as they praised it when they sought to enact it into law. I challenge any Senator on this floor to state that he has heard a word of favorable comment in this Chamber about the Payne-Aldrich law. Has one voice been raised to pay tribute to that law or to those who voted for that law? Yet, with a rate of

11 cents per pound on grease wool in the Payne-Aldrich law and a rate in this bill of 33 cents a pound on the clean content of wool, the compensatory duty is the same.

That is an admission by this committee that a compensatory duty of 39 cents was all that in fairness and in honesty could be asked when the duty levied upon raw wool was 33 cents; yet the Payne-Aldrich law provided for a compensatory duty of 38 cents on wool bearing a duty of 11 cents per pound, grease content. It is, of course, a confession and an admission that the Payne-Aldrich duty was exorbitant. In fact, the extent to which protection was given in a concealed and veiled way through the compensatory duty levies was astounding.

I do not know whether the Senate understands me or not; but under the Payne-Aldrich law the spinners of yarns and the weavers of cloth all were given a compensatory duty that was more than compensatory, and in addition to that were given a protective duty, so that the protective duty that they had was not the total protection which they received, but they had in the compensatory duty a concealed protection which the public could not discern and could not appreciate; and not until the Taft Tariff Board made its exposé in 1912 did the people of the country become aware of the scandalous, the outrageous, the almost criminal method adopted in levying compensatory duties in the Payne-Aldrich law.

Mr. President, I desire without interruption to discuss the duties levied in previous laws.

COMPARISON OF THE COMPENSATORY DUTY ON YARN IN THE SENATE AMENDMENT WITH PREVIOUS LAWS.

It is difficult to make a comparison because any compensatory duty which is purely compensatory must reflect whatever rate of duty is imposed upon raw wool; that is, it must be worked out in scientific relation to the duty upon raw wool under the tariff act. The raw wool duty has, of course, varied. Under the emergency tariff act the compensatory duty upon yarn—as upon other wool manufactures—is 45 cents per pound. This is 6 cents per pound more than the compensatory duty in the main brackets of the Senate bill. But it must be remembered that in the emergency law, owing to the skirting joker, the duty upon raw wool, assuming an average shrinkage of 50 per cent, would be 60 cents per clean pound; whereas in the Senate bill it is 33 cents per clean pound.

Under the Underwood law there was, of course, no compensatory duty, since wool was admitted free.

Under the Payne-Aldrich law the compensatory duty on yarns in the lowest bracket was 27½ cents per pound. But upon those falling in the remaining brackets—and this comprised the bulk of yarn—the compensatory duty was 38½ cents per pound. Considering that the duty upon raw wool in the Senate bill is 50 per cent higher than the duty in the Payne-Aldrich law, it is obvious that a compensatory duty of 38½ cents per pound bears a peculiar aspect in the light of the compensatory duty of 39 cents per pound in this bill. The explanation is, of course, that the compensatory rates in the Senate bill are based upon the findings of the old Tariff Board, while the compensatory rates in the Payne-Aldrich law were ostensibly compensatory but were in fact loaded with concealed protection. It is a belated acknowledgement of the iniquities of Schedule K.

COMPARISON OF PROTECTIVE RATES ON YARN IN THE SENATE AMENDMENT WITH HOUSE BILL.

The protective rates on yarn in the House text were 15, 18, and 20 per cent, respectively, as the valuation of the yarn increased. But it must be remembered that these rates are based upon American valuation. The protective rates in the Senate amendment, based upon foreign valuation, are 30, 35, and 40 per cent, respectively, for the equivalent brackets. It is difficult to compare the relative height of the House and Senate texts because of the basis of valuation. If we contrast the prices on comparable grades of yarn it is necessary to make allowance for the fact that the domestic price includes the higher cost of raw material owing to the emergency tariff law. It is quite probable, however, that the protective rates contained in the Senate bill constitute an actual increase over the House rates. Certainly the changes of rates made in the Senate amendment will not redound to the disadvantage of the domestic spinner.

COMPARISON OF PROTECTIVE RATES ON YARN IN THE SENATE AMENDMENT WITH EMERGENCY LAW.

Ostensibly the emergency law contains no protective rate other than that of 18 per cent, which already existed in the Underwood law. The fact is, however, that the compensatory duty of 45 cents per pound includes a substantial amount of protection, because the duty upon raw wool in the emergency law has not yet, at least, resulted in such an increase in the domestic prices of raw wool as to require a compensatory duty of 45 cents per pound upon yarn.

IMPORTS UNDER THE EMERGENCY TARIFF LAW.

The emergency law does not appear to have led to any great curtailment in the imports of yarn, though it should be noted that these have not been large either before or since the passage of the law as compared with the production in this country. Even in 1914, when imports amounted to 4,760,610 pounds and were larger than during recent years, they amounted to only 2.7 per cent of the domestic production of worsted yarn. Practically all our imports are worsted yarns. As a matter of fact, both before and after the enactment of the emergency law imports of yarns have ranged on the average around 300,000 pounds monthly, except during the three months preceding the law and while it was being discussed in Congress. At this time importations increased in the same manner and for the same reasons as in the case of tops, which has already been discussed. It being apparent that importers, anticipating the passage of the law, were storing up more than usual, so as to avoid the paying of the high duties threatened by the passage of the emergency law, it is fair to assume that the emergency law has operated to reduce the importations of the coarser and cheaper yarns, and had little effect in keeping out the finer and higher-priced yarns.

COMPARISON OF THE PROTECTIVE DUTY IN THE SENATE AMENDMENT WITH THE UNDERWOOD LAW.

The protective duty levied in the Underwood law was 18 per cent. The Senate amendment, therefore, on the higher priced and finer grade yarns constitutes an increase of over 122 per cent over the Underwood law.

While there was some slight increase of imports during the early years of the Underwood law, these, as noted above, constitute only 1 or 2 per cent of the domestic production. It is to be noted that the bulk of these yarns very likely consist of special yarns, types not directly competing with American yarns.

COMPARISON OF THE PROTECTIVE DUTY IN THE SENATE AMENDMENT WITH THE PAYNE-ALDRICH LAW.

The Payne-Aldrich law imposed a protective duty of 35 per cent and 40 per cent ad valorem. The rate named in the Payne-Aldrich law was condemned and repudiated, as is well known.

It is not necessary to discuss now the finding of the old Tariff Board to the effect that the Payne-Aldrich protective duty was altogether too high and that it led to the complete prohibition of the coarser yarns and almost a complete prohibition on even the finer and higher priced yarns, and thereby gave a protection to the American yarn maker which was unwarranted.

The Underwood law, which followed the Payne-Aldrich law, was in substantial accord with the Tariff Commission's findings in fixing the protective duty at 18 per cent.

RELATION OF THE SENATE PROTECTIVE DUTY TO CONVERSION COSTS.

The normal conversion cost of woolen yarn ranges from 25 to 40 per cent of the total cost. Thus those protective rates in the Senate bill which are most likely to be operative, namely, 35 and 40 per cent, amount all the way from 87½ per cent to 150 per cent of the foreign conversion costs. Yet the old Tariff Board concluded, after an exhaustive study of the conversion costs on yarn here and abroad, that the domestic cost of converting the tops into yarn exceeded the foreign, on the average, by about 100 per cent. Inasmuch as they found that the domestic conversion cost of tops from raw wool exceeded the foreign by only about 80 per cent, on the average, it follows that the total domestic cost of converting clean wool into yarn must have exceeded the foreign cost by a figure somewhere between 80 and 100 per cent—see Tariff Board Report of 1912, page 16. Nor do the subsequent investigations made by the Tariff Commission indicate that this ratio of domestic to foreign conversion costs has been substantially changed in subsequent years. Thus it appears that the protective rates upon yarn in this bill are in direct violation of the findings of the old Tariff Board, and of conditions as they exist to-day in this branch of the industry.

Mr. President, I base my objections to this paragraph on four chief grounds:

First. The rate of 18 per cent was fixed in the Underwood Simmons law after consultation and investigation by the Tariff Board as to the conversion costs of yarns in this country and abroad.

Second. There has been no increase in the spread or in the difference in the conversion costs between 1913 and the present time.

Third. There have been no importations under a rate of 18 per cent.

Fourth. The prices to-day of English yarns and American yarns in New York and Boston do not justify such increased protection as is proposed.

The comparatively slight difference in the prices of British and American yarns, it must be borne in mind, includes the increased cost of the domestic product by the existing duty on raw wool, because the American yarn now is being made under a very high duty upon raw wool, which, of course, is reflected in the price. To make a correct estimate of what would be a fair protective duty we ought to remove entirely from the American yarn the compensatory duty under the emergency law, so as to treat the prices upon the basis of free wool, but I am not doing that. The following prices are of July 15, 1922, and apply to American-made yarns made from wool dutiable at the rates named in the emergency law:

The British price of yarn of a given grade is $1.71. The American price of yarn of the same grade is $2.40—a difference of 69 cents.

In the case of another grade, the price in America of the British yarn is $1.55. The price of a corresponding grade American yarn is $2.

The British yarn in America of another grade is selling at $1.44, and the domestic yarn at $1.85.

The British yarn of the next grade is selling in America at $1.27, and the domestic yarn at $1.65.

The British yarn of the next grade is selling in America at 97 cents, and the American yarn at $1.45.

The British yarn of the next grade is selling in America at 64 cents, and the American yarn at $1.

In the case of the first grade named the difference in price is 69 cents. The amendment proposed by the Senate committee gives to the spinner of yarn 97 cents in that instance. In other words, the Senate amendment licenses the American spinner to charge the American consumer the difference between the American price and the foreign price, and in addition 28 cents, which he can put in his pocket. In this case the duty gives the entire conversion cost, plus 27 cents on every pound of yarn, to the manufacturer. Just figure up, when you come to consider 100,000 pounds or 1,000,000 pounds of yarn, just what an enormous gift that is.

In the case of grade No. 2, the difference in price is 45 cents. This amendment gives a protection of 91 cents, a sum equaling the cost of conversion, plus 46 cents on every pound of yarn for the American spinner.

These duties upon yarn constitute the most outrageous case that has been presented in the whole discussion of this bill. In this case you are giving the manufacturer 100 per cent more than the difference in the conversion costs.

Now, let us take the third case. The difference between the cost of the British yarn and the American yarn is 41 cents. The Senate amendment gives the manufacturer of yarns a protective duty upon that difference of 87 cents—46 cents this time, gratis; 46 cents more than the difference in the cost of converting the wool into yarn in this country and abroad.

The next, 38 cents, the difference in the costs of producing the two yarns, gives the spinner 81 cents. The next, 48 cents, gives the spinner 66 cents. The next, 36 cents, gives the spinner 56 cents.

Are we going to stand for that? Will anybody listen, and, in the light of these figures of July 15, in the light of this information of 10 days ago, vote any such bounty or subsidy to the spinners? I ask that the table from which I read be inserted in the RECORD at the close of my remarks. (See Appendix A.)

Now I intend to translate all the duties levied under the Payne-Aldrich law, and all the duties proposed to be levied under the bill as it passed the House, and all the duties proposed to be levied by the Senate committee amendment into ad valorem rates and find out just how much more we are expecting the American people to pay for the different grades of yarn, based upon ad valorem rates, instead of specific and ad valorem rates, as levied in this amendment.

I shall not take the trouble to read all of the 10 or 12 grades of yarn in the table which I have in front of me. I shall not take the trouble and time of the Senate to point out the difference in the ad valorem duties in the extreme cases. I will pick out just one or two grades of yarn which are most commonly used.

The Payne-Aldrich law levied duties on the 36-ply yarn representing 144 per cent ad valorem.

The bill as it passed the House levied duties of 199 per cent ad valorem and the Senate committee amendment proposes to levy a duty of 143 per cent ad valorem, practically exactly the same as the Payne-Aldrich rates, which have been so very sharply criticized and strongly condemned by the majority party in this Chamber.

You are proceeding to levy upon yarns an ad valorem duty of from 65 per cent, in the case of the cheapest yarns, to nearly 150 per cent, yet the information which all experts upon this subject have given is that the cost of manufacturing yarns out of the raw wool represents only between 25 and 40 per cent of the value of the wool. I want to repeat that, as against a conversion cost, upon the authority of experts, justifying between 25 and 40 per cent of the cost of the article we are providing in this amendment for a conversion cost of from 65 per cent to 150 per cent.

Let the majority go on with this business of bestowing these gifts promiscuously without any impartial data or information to justify them. They spell political disaster for the Republican Party.

My only fear is the effect that the imposition of these duties will have upon American business and foreign commerce, and my only sympathy is with the American consumers who will have to pay the cost. The worst part of an unscientific tariff bill is that when the American people demand, as they will demand, a change in these duties we will find the protected industries so accustomed to these protective duties and to the profits which come from them that we will be unable to strike, without much difficulty and business disturbance, a rate which will be fair to them, fair to the consuming public, and fair to all concerned.

These duties are not fair to the American consumer.. They are not fair to the great competitive business interests of America. Yet this amendment will be adopted by the majority. If I could point out that these duties meant a 500 per cent increase in prices, the amendment would go through just the same under the iron heel of the agricultural bloc and those who represent other favored interests.

I ask that the table showing the ad valorem rates in the Payne-Aldrich law, the bill as it passed the House, and the Senate amendment be printed in the RECORD at the close of my remarks. (See Appendix B.)

Mr. President, I move now that on page 145, line 12, the numeral "30" be stricken out and the numeral "20" inserted; that on line 14 the numeral "35" be stricken out and the numeral "25" inserted; and that on line 15 the numeral "40" be stricken out and the numeral "30" inserted; so that if amended the amendment would read:

Yarn, made wholly or in chief value of wool, valued at not more than 30 cents per pound, 26 cents per pound and 20 per cent ad valorem; valued at more than 30 cents but not more than $1 per pound, 39 cents per pound and 25 per cent ad valorem; valued at more than $1 per pound, 39 cents per pound and 30 per cent ad valorem.

APPENDIX A.

Comparative prices of worsted yarns in England and the United States.

Domestic.		British.		Price of British yarn in United States, excluding duty.[3]	Difference, United States vs. British in United States.	Emergency duty (45 cents plus 18 per cent).	Senate bill (39 cents plus 35 percent, 39 cents plus 40 per cent).
Quality.	Price.[1]	Quality.	Price, specific duty, United States.[2]				
	Per lb.						
2/50s, fine	$2.40	2/48s of 70s	6/6=$1.44	$1.71	$0.69	$0.75	$0.97
2/40s, ½ blood	2.00	2/40s of 60s	5/10=1.30	1.55	.45	.68	.91
2/32s, ¼ blood	1.85	2/32s of 60s	5/5=1.20	1.44	.41	.66	.87
2/36s, ⅜ blood	1.65	2/36s of 58s	4/9=1.05	1.27	.38	.64	.81
2/20s, ⅜ blood	1.45	2/20s of 56s	3/6=.78	.97	.48	.59	.66
2/20s-2/24s, low ½	1.00	2/24s of 44s, crossbred.	2/2=.48	.64	.36	.54	.56

[1] Textile World, July 15, 1922.
[2] Bradford Wool Record and Textile World, July 13, 1922.
[3] Allowing 5 cents per pound for landing charges and 10 per cent for importer's overhead and profit.

APPENDIX B.

Yarn.

	Rate in Payne-Aldrich law.	Rate in bill as it passed the House.	Senate committee rate.
	Per cent.	*Per cent.*	*Per cent.*
36 (sgle)	144	129	143
52.5 (sgle)	133	96	109
63 (sgle)	101	85	97
88 (sgle)	84	72	79
154 (sgle)	65	53	65
36 (ply)	144	129	143
59 (ply)	105	88	100
96 (ply)	80	69	76
142 (ply)	67	56	67
82 (mix)	87	76	83
157 (mix)	64	53	65

Mr. LENROOT. Mr. President, it seems very clear to me, from such investigation as I have been able to make, that the protective duties provided in this paragraph are excessive. In reporting this paragraph the committee has assumed that it would require twenty-six thirty-thirds of a pound of scoured wool to make a pound of yarn. At the very lowest rate of the low-blood wool quoted in the London markets last month of 24 cents a pound it would make the very lowest cost of the wool 21 cents a pound, leaving for the first clause 9 cents a pound for the entire conversion cost, whereas the rate of duty at 30 per cent ad valorem would give 9 cents per pound protective duty, 100 per cent, or just double the conversion cost in the case of the very cheapest yarns that could be produced.

The Tariff Board of 1912 went into a very thorough investigation of the difference in the cost of spinning yarn in Great Britain and America, and they found that the cost ranged from 70 per cent to 94 per cent greater in America. But we have in the survey of the British wool-manufacturing industry, made by the Tariff Commission in 1920, a new survey of the situation between England and the United States as to yarn costs. I first want to read the general conclusions of the commission with reference to wages in England and the United States. On page 89 they said:

> With respect to comparative wage scales, it is interesting to note the relative changes in wages in the two countries since the pre-war period, and, in view of the generally appreciated difference in wage levels then obtaining, to judge whether the competitive position of the American industry has or has not improved in the interim. As far as England is concerned, it may be stated that wages have risen on the average 160 to 170 per cent, including the increase due to the shortening of working hours, the cost of living bonus, and the addition to basic wages which is becoming general throughout the industry.

Then they say further:

> For the United States no general authoritative figure of average advances of wages since 1914 exists. The best data available indicate that the increase has been approximately 125 to 135 per cent.

So, according to the report of the Tariff Commission, the spread in cost in Great Britain and in the United States is less to-day, so far as labor cost is concerned, than it was in 1912. But on page 79 of the survey the commission give the comparative cost of yarns, giving the American price and the English price, and then say:

> Here, as in the case of the tops, there is a much closer approximation of the English figures to those in the domestic market than existed before the war. It will be noted that, were the duty on yarns as contained in the present tariff, 18 per cent, to be added to the above prices of the English yarns, it would not be advantageous to import them into this country. Charges for freight, insurance, commissions, and the like would, of course, increase the imported price still further.

So that the commission find that 18 per cent, the rate in the Underwood law, is adequate to-day to cover the difference in price, and yet the committee propose to increase that rate from 18 to 30 per cent in one case and from 18 to 40 per cent in another case.

Mr. McCUMBER. Mr. President, will the Senator yield?

Mr. LENROOT. I yield.

Mr. McCUMBER. Have the commission made any report as to the cost of production in France and in Germany compared with the cost in the United States?

Mr. LENROOT. Not that I know of.

Mr. McCUMBER. France imports quite considerable and Germany not as much, but of course her capacity for doing such is unquestioned if the conditions become favorable for it.

Mr. LENROOT. England imported 4,800,000 pounds in 1921 and France imported 1,000,000 pounds.

Mr. McCUMBER. But that is considerable. It is not, of course, as much as Great Britain imported, but at the same time we have to take the country of lowest production cost as well as the country of the highest production cost in determining what the duty shall be.

Mr. LENROOT. The Senator said the importation of France is considerable. Let us see how considerable it is compared with our own production of yarn.

Mr. WALSH of Massachusetts. Mr. President, may I suggest to the Senator, while he is looking for that information, that while the emergency tariff law was pending it became apparent that increased duties were intended to be levied and there was a considerable increase in the imports of yarn so as to escape the duties about to be levied under the emergency tariff law.

Mr. LENROOT. Oh, yes; the tariff board so stated.

Mr. WALSH of Massachusetts. Of course, those fancy yarns must be imported anyway. They are not made in America.

Mr. LENROOT. I do not have the figures showing our own production in 1921, but the Senator, I think, will admit it was over 500,000,000 pounds. I do not want the question of fact to be in dispute.

Mr. McCUMBER. I do not have them in mind just now, but I understand the Senator has about the right proportion between the British and the German.

Mr. LENROOT. So that with our production of 500,000,000 pounds and over, an importation of 1,000,000 pounds of course is a bagatelle.

Mr. SMOOT. I will say to the Senator, however, that the 1,000,000 pounds are certain kinds of yarns that would come in here as specialties. But if we change the rate here to take care of the low-grade yarns at the price of wool to-day, and if they advance in price, there would be no protection and the door would be wide open.

Mr. LENROOT. I want to understand that. Why does the Senator say that if wools advance in price there would be no protection? I am not speaking of the compensatory duty.

Mr. SMOOT. No; I did not say advance. I say if they decline in price.

Mr. LENROOT. The low wools?

Mr. SMOOT. No; the medium wools. If the medium wools decline in price, then the rate we have provided here would be hardly compensatory because, as the Senator knows, with the 20 per cent decrease there, the line of danger would be immediately marked. It is true that the fine and medium wools are exceptionally high and the low-bred wools are exceptionally low. I can figure out to the Senator on the low rate that the amount provided for in the paragraph necessarily would be 100 per cent, but if the wool advanced from 18 and 20 cents, the price to-day, to the normal price of 40 cents, then it would be cut absolutely in two, and it would be very much less than the emergency tariff rate.

Mr. LENROOT. If the committee are right in the compensatory duty in the first clause, there could not be any imports, because there could not be any yarn valued at less than 30 cents.

Mr. SMOOT. I am aware of that; and I will admit, so far as the brackets are concerned, that that has happened in every one of our tariff laws where the brackets have been used, and necessarily will happen when they are used. The reason for that is because in making the law it is the desire to provide for every emergency that may happen. We thought we had it provided for in the Underwood law to take care of the price of wool, no matter how low it went. If the Payne-Aldrich law was in effect to-day it would not take care of the abnormally low prices of the coarse wools. I know the difficulties there, and I know what the Senator said is absolutely true as to the enormous percentage that falls now through the compensatory duty of 31 cents. There is no doubt about it at all. But if these wools advance 100 per cent—and I believe they will advance 100 per cent—it would be different.

I say now, as I said the other day, that there is no more chance of losing money, if a man wanted to speculate upon coarse wool, than there is that the heavens will fall. Just as surely as he could pack these wools he would make money upon them. Never have they been known to be so low as they are to-day. Those rates, of course, are not going to affect the cloth, because the Senator knows there is not a protective duty here of more than 50 per cent on the cloth anywhere, and those rates are made so they will be step by step in normal times. I could criticize this most mercilessly to-day, so far as rates are concerned, if we had normal conditions and normal priced wool. I could criticize them just as severely as the Senator can criticize them or just as severely as the Senator from Massachusetts has criticized them if conditions were normal and the prices were as they generally are.

Mr. LENROOT. The Senator will admit that if the price goes up the protective-tariff rate translated into terms of ad valorem equivalent also increases.

Mr. SMOOT. Yes; we have to do that on the lower wools.

Mr. LENROOT. I understand that. If the price of wool goes up, the cost of conversion does not go up.

Mr. SMOOT. Not at all.

Mr. LENROOT. By reason of the increased price of wool the cost of conversion does not go up, but the protection does go up when the price of wool goes up.

Mr. SMOOT. That is true; and on the lower bracket, as the Senator will notice, we only have 30 per cent ad valorem, and on the tops 20 per cent. The steps necessary from that are based on the 10 per cent conversion cost.

Mr. LENROOT. That can hardly be, because the bill as originally reported carried 25 per cent on tops, and the next step was 30 per cent upon yarns.

Mr. SMOOT. Now, Mr. President, in order that the Senator may know and in order that the Senate may know, I am perfectly willing to state just why that is. There was a feeling

in the country and there was a feeling in the committee, so far as tops are concerned, that we do not want them to come in and do not want them to displace wool. The 25 per cent rate was put in there as an embargo, pure and simple, and it would be an embargo. I think I told the Senator that in our conversation upon the item. It was put in there for that purpose.

Mr. LENROOT. I think that is true, but, of course, that rather destroys the Senator's argument that the 10 per cent advance was the necessary advance.

Mr. SMOOT. It was not 10 per cent as reported to the Senate. It was only 5 per cent.

Mr. LENROOT. That is what I said.

Mr. SMOOT. But I do say, when it was reduced to 20 per cent, that 10 per cent was the original advance between the tops and the next step. The Senator will notice we only gave 26 cents a pound.

Mr. LENROOT. That would be 26/33 of a pound of wool.

Mr. SMOOT. That is what it means. That is what we put into yarns, and there is no question but what we could make that yarn in normal times at 30 cents, but they would have to have that amount of waste or other material.

Mr. LENROOT. Let me ask the Senator, although I do not care to make any contention about it, will not a yarn that is part cotton come in under this paragraph?

Mr. SMOOT. Yes; if it is mixed with wool and the chief value is wool.

Mr. LENROOT. So that we have, and I am not criticizing the committee for it, given a hidden protective duty in such cases where it is not all wool.

Mr. SMOOT. No; we have taken off the 39 cents and made it only 26 cents. In other words, there would have to be an increase of 50 per cent on the 26 cents to make it 39 cents.

Mr. LENROOT. But it has to be twenty-six thirty-thirds of a pound of wool, according to the committee. That would only leave seven thirty-thirds of a pound of anything else. It might be wool waste.

Mr. SMOOT. More than likely this is what would happen. They would put in perhaps 12½ per cent cotton and the balance of wool waste, and of course the remainder of it would have to be wool. If they should put cotton in it the thread would be so hard that it could not be finished so it would pass in commerce as a wool article.

Mr. LENROOT. I appreciate that there is no way of avoiding an excessive or protective duty in giving a compensatory rate if you are to carry into the compensatory rate the rate on the pure wool. I do not question that. It is simply a fact that necessarily through the whole schedule there are hidden rates, not designedly so, but actually working out that way, and the Senator will admit that, I think.

Mr. SMOOT. I have admitted it, and I admit it again. With the abnormal situation now existing we can not get away from it.

Mr. LENROOT. To get back to the pending proposition, the Senator says if wool rises in price a different situation will prevail; but if the cost of wool rises, the conversion cost does not necessarily change at all.

Mr. SMOOT. No.

Mr. LENROOT. But if wool does rise in price the protective rate rises with it.

Mr. SMOOT. Yes; but the equivalent ad valorem on one kind of wool would then be very much lower than the equivalent ad valorem duty on the other. The fine wools are not going to advance; they are now abnormally high. If there shall be any change whatever I think the price will decrease. On the other hand, if there shall be any change in the case of the low-blood wools the price will increase.

Mr. LENROOT. Then, I think the Senator from Utah will admit that the rate provided in the first bracket is really prohibitive; there can not be any importations under that rate for it is over 100 per cent.

Mr. SMOOT. I do not think that there will be very much wool falling in the 30-cent bracket; in fact, I know of no yarn to-day that could be bought for 30 cents; but if conditions should change, or anything should happen which we do not now foresee, there might be such a thing. However, if the Senator from Wisconsin will look at the importations he will find that there is no such yarn imported. I will further say to the Senator that there is no such yarn of which I know made in the United States to-day.

Mr. LENROOT. I think that is true; I do not think there is any such yarn imported, because the 18 per cent rate is absolutely prohibitive, and I do not think there is any such yarn made in the United States.

Mr. SMOOT. The bill as it came from the House starts out with wool which is valued at not more than 55 cents a pound. There are yarns that are of less value than 55 cents a pound. Then we made a new bracket. Of course, the House rates were based upon American valuation, and we changed those and based them on foreign valuation. Of course, the Senator also knows that these rates are lower than the Payne-Aldrich law rates.

Mr. LENROOT. I think that is true; but, according to the Tariff Commission, the 18 per cent rate is normally prohibitive; and yet it is proposed to increase it to 30 per cent.

I am not going to take further time, Mr. President. I appreciate there is no use in trying to secure a reduction in the rates in this schedule. It simply can not be done; and it can not be done no matter what facts may be shown to the Senate. The votes are here to put the rates through just as the committee proposes them. I appreciate that, and I am not going to take a great deal of time. I am merely going to ask for a test vote on certain of these paragraphs, particularly with reference to clothes. Then I shall be content to let the schedule go through, for I realize the utter futility of arguing the merits of the different rates which are proposed in this schedule.

Mr. McCUMBER. Mr. President, I think the Senator from Wisconsin will admit that the present price of low grades of wool is only about half what it was in 1915, and that, therefore, in all probability it will at least double in price under normal conditions. If such wool should bear the relation that it bore to the higher-priced wools in 1915 it would have to be increased in price about fourfold in order to maintain the difference that prevailed at that time. Let us assume that the price will simply be doubled; then does the Senator think that the rates which we have proposed to impose on the ad valorem basis, outside of the compensatory rate, would be excessive?

Mr. LENROOT. I certainly should, for, if the committee had proposed these rates as allowing fair compensation upon the present prices when the price is doubled, the protection is doubled.

Mr. SMOOT. But there would not be any greater equivalent ad valorem on the wool than if the price were just as low as it is to-day.

Mr. LENROOT. But does not the Senator see that if wool which costs 30 cents a scoured pound is converted into yarn and the conversion cost is 30 per cent, or 9 cents, and if that wool goes up to 60 cents a pound the conversion cost will be 9 cents but that the duty will be 18 cents?

Mr. McCUMBER. But the equivalent ad valorem would be very much lower.

Mr. LENROOT. I know that; but equivalent ad valorems are for the purpose of covering the difference in actual costs, are they not?

Mr. SMOOT. That is true, I will say to the Senator; but, on the other hand, the Senator must admit that that does not apply to wools above three-fourths bloods.

Mr. LENROOT. I will admit that when the wool goes up there can not be the same amount of wool coming in under the lower bracket, of course.

Mr. SMOOT. That is true. The Senator from Wisconsin and I do not disagree as to that.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Massachusetts [Mr. WALSH] to the amendment of the committee.

Mr. UNDERWOOD. Mr. President, I think the Senator from Massachusetts [Mr. WALSH], who is in charge of this schedule but who happens for the moment to be absent from the Chamber, would probably desire a yea-and-nay vote on his amendment.

Mr. SMOOT. I ask for the yeas and nays, Mr. President.

The yeas and nays were ordered.

The Assistant Secretary proceeded to call the roll, and Mr. ASHURST voted in the affirmative when his name was called.

Mr. WALSH of Massachusetts. Mr. President, I ask that the Secretary may state my amendment.

The PRESIDING OFFICER. By unanimous consent, the roll call will be suspended, and the Secretary will again state the amendment offered by the Senator from Massachusetts to the amendment reported by the committee.

The ASSISTANT SECRETARY. In the amendment of the committee, on page 145, being the yarn provision, on line 12, it is proposed to strike out "30" and insert "20"; on line 14 to strike out "35" and insert "25"; and on line 15 to strike out "40" and insert "30."

Mr. LODGE. Mr. President, I make the point of order that there can be no interruption of the roll call.

The PRESIDING OFFICER. The point of order comes too late. The Secretary will proceed with the calling of the roll.

The Assistant Secretary resumed the calling of the roll.

Mr. BALL (when his name was called). Repeating the statement made on the previous roll as to the transfer of my pair, I vote "nay."

Mr. DIAL (when his name was called). Making the same announcement as to my pair and transfer as on former ballots, I vote "yea."

Mr. McCUMBER (when his name was called). Transferring my pair as on the previous vote, I vote "nay."

Mr. McLEAN (when his name was called). I transfer my pair with the senior Senator from Montana [Mr. MYERS] to the junior Senator from Colorado [Mr. NICHOLSON], and vote "nay."

Mr. NEW (when his name was called). Repeating the announcement made on previous votes as to the transfer of my pair, I vote "nay."

Mr. WALSH of Montana (when his name was called). I have a general pair with the Senator from New Jersey [Mr. FRELINGHUYSEN] which I transfer to the Senator from Missouri [Mr. REED], and vote "yea."

The roll call was concluded.

Mr. McKINLEY (after having voted in the negative). I note that my permanent pair, the Senator from Arkansas [Mr. CARAWAY], has not voted. I transfer that pair to the junior Senator from North Dakota [Mr. LADD], and let my vote stand.

Mr. HALE. Making the same announcement as before with reference to my pair and its transfer, I vote "nay."

Mr. JONES of New Mexico. Making the same announcement as on the previous vote concerning the transfer of my pair, I vote "yea."

Mr. STANLEY (after having voted in the affirmative). I observe that my pair, the junior Senator from Kentucky [Mr. ERNST], has not voted. I transfer that pair to the senior Senator from Texas [Mr. CULBERSON] and allow my vote to stand.

Mr. CALDER (after having voted in the negative). I transfer my pair with the senior Senator from Georgia [Mr. HARRIS] to the junior Senator from Delaware [Mr. DU PONT] and allow my vote to stand.

Mr. CURTIS. I wish to announce that the Senator from North Dakota [Mr. LADD] is necessarily absent on account of illness in his family.

I also desire to announce the following pairs:

The Senator from Vermont [Mr. DILLINGHAM] with the Senator from Virginia [Mr. GLASS];

The Senator from West Virginia [Mr. ELKINS] with the Senator from Mississippi [Mr. HARRISON];

The Senator from New Jersey [Mr. EDGE] with the Senator from Oklahoma [Mr. OWEN];

The Senator from West Virginia [Mr. SUTHERLAND] with the Senator from Arkansas [Mr. ROBINSON];

The Senator from California [Mr. JOHNSON] with the Senator from Georgia [Mr. WATSON]; and

The Senator from Indiana [Mr. WATSON] with the Senator from Mississippi [Mr. WILLIAMS].

The result was announced—yeas 19, nays 31, as follows:

YEAS—19.

Ashurst	Jones, Wash.	Sheppard	Trammell
Borah	Kellogg	Simmons	Underwood
Dial	Lenroot	Smith	Walsh, Mass.
Heflin	Overman	Stanley	Walsh, Mont.
Jones, N. Mex.	Pomerene	Swanson	

NAYS—31.

Ball	Gooding	McKinley	Phipps
Broussard	Hale	McLean	Ransdell
Bursum	Harreld	McNary	Smoot
Calder	Kendrick	Moses	Spencer
Cameron	Keyes	Nelson	Sterling
Capper	Lodge	New	Warren
Colt	McCormick	Newberry	Willis
Curtis	McCumber	Pepper	

NOT VOTING—46.

Brandegee	France	Myers	Shields
Caraway	Frelinghuysen	Nicholson	Shortridge
Crow	Gerry	Norbeck	Stanfield
Culberson	Glass	Norris	Sutherland
Cummins	Harris	Oddie	Townsend
Dillingham	Harrison	Owen	Wadsworth
du Pont	Hitchcock	Page	Watson, Ga.
Edge	Johnson	Pittman	Watson, Ind.
Elkins	King	Poindexter	Weller
Ernst	Ladd	Rawson	Williams
Fernald	La Follette	Reed	
Fletcher	McKellar	Robinson	

So the amendment of Mr. WALSH of Massachusetts to the amendment reported by the committee was rejected.

The PRESIDING OFFICER. The question recurs upon the amendment of the committee.

Mr. WALSH of Massachusetts and Mr. SMOOT called for the yeas and nays, and they were ordered.

The PRESIDING OFFICER. The Secretary will call the roll.

The Assistant Secretary proceeded to call the roll.

Mr. BALL (when his name was called). Making the same announcement as on the preceding vote as to the transfer of my pair, I vote "yea."

Mr. DIAL (when his name was called). Making the same announcement of my pair and transfer as on the former ballot, I vote "nay."

Mr. HALE (when his name was called). Making the same announcement as before, I vote "yea."

Mr. McCUMBER (when his name was called). Transferring my pair as upon the previous vote, I vote "yea."

Mr. McKINLEY (when his name was called). Making the same announcement as before, I vote "yea."

Mr. McLEAN (when his name was called). Making the same announcement as before, I vote "yea."

Mr. NEW (when his name was called). Transferring my pair as on the previous vote, I vote "yea."

Mr. STANLEY (when his name was called). Making the same announcement as before with reference to my pair, I vote "nay."

Mr. WALSH of Montana (when his name was called). Transferring my pair as on the last vote, I vote "nay."

The roll call was concluded.

Mr. COLT (after having voted in the affirmative). I transfer my pair with the junior Senator from Florida [Mr. TRAMMELL] to the senior Senator from Maryland [Mr. FRANCE], and will allow my vote to stand.

Mr. JONES of New Mexico. Making the same announcement as on the previous vote regarding my pair, I vote "nay."

Mr. CALDER. Making the same announcement as on the former vote as to the transfer of my pair, I vote "yea."

Mr. CURTIS. I desire to announce that the Senator from Nevada [Mr. ODDIE] is necessarily absent. If present he would vote "yea" on this question.

I have been requested to announce the following pairs:

The Senator from Vermont [Mr. DILLINGHAM] with the Senator from Virginia [Mr. GLASS];

The Senator from New Jersey [Mr. EDGE] with the Senator from Oklahoma [Mr. OWEN];

The Senator from West Virginia [Mr. ELKINS] with the Senator from Mississippi [Mr. HARRISON];

The Senator from California [Mr. JOHNSON] with the Senator from Georgia [Mr. WATSON];

The Senator from West Virginia [Mr. SUTHERLAND] with the Senator from Arkansas [Mr. ROBINSON]; and

The Senator from Indiana [Mr. WATSON] with the Senator from Mississippi [Mr. WILLIAMS].

The result was announced—yeas 31, nays 19, as follows:

YEAS—31.

Ball	Gooding	McLean	Shortridge
Broussard	Hale	McNary	Smoot
Bursum	Harreld	Moses	Spencer
Calder	Kendrick	Nelson	Stanfield
Cameron	Keyes	New	Sterling
Capper	Lodge	Newberry	Warren
Colt	McCumber	Pepper	Willis
Curtis	McKinley	Phipps	

NAYS—19.

Ashurst	Jones, N. Mex.	Pomerene	Swanson
Borah	Jones, Wash.	Sheppard	Underwood
Cummins	Kellogg	Simmons	Walsh, Mass.
Dial	Lenroot	Smith	Walsh, Mont.
Heflin	Overman	Stanley	

NOT VOTING—46.

Brandegee	Frelinghuysen	Myers	Robinson
Caraway	Gerry	Nicholson	Shields
Crow	Glass	Norbeck	Sutherland
Culberson	Harris	Norris	Townsend
Dillingham	Harrison	Oddie	Trammell
du Pont	Hitchcock	Owen	Wadsworth
Edge	Johnson	Page	Watson, Ga.
Elkins	King	Pittman	Watson, Ind.
Ernst	Ladd	Poindexter	Weller
Fernald	La Follette	Ransdell	Williams
Fletcher	McCormick	Rawson	
France	McKellar	Reed	

So the amendment of the committee was agreed to.

Mr. JONES of New Mexico. Mr. President, I present an amendment to the pending bill and ask that it be printed and lie upon the table.

I desire to say that I had intended, in connection with the presentation of this amendment, to discuss its provisions; but I have finally concluded that it would be advisable to let the amendment be printed, so that Senators may have copies of it before the discussion begins. I will state generally that it is an amendment to extend the powers of the Tariff Commission, and is offered, in effect, as a substitute for the pending bill.

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

Mr. SMOOT. Mr. President, we have now reached the woven-fabrics paragraph of this bill. Paragraph 1108 deals

with the lightweight woven goods, and I desire at this time to modify two of the rates in the paragraph. On page 146, line 7, I ask to substitute "50" for "55," and on line 10 I ask to substitute "50" for "55."

It may be asked, as long as the ad valorem rate is 50 per cent, why there should be two brackets bearing the ad valorem rate of 50 per cent. I will say that of course the compensatory duty is different, and for statistical purposes we desire that they should be separated; and that will appear in one or two other paragraphs. No matter where it appears, if the protective rate is 50 per cent in two of the brackets, we do that, even though the compensatory rate is the same but the value is different, for the purpose of statistics, and so that we may know the quantity of goods of various prices coming into the country.

Mr. WALSH of Massachusetts. Mr. President, paragraph 1108 covers the lighter weight fabrics of wool, mohair, and so forth; that is, women's and children's dress goods, coat linings, bunting, and the like. It contains two sets of duties, those relating to such fabrics when not having a cotton warp and those relating to such fabrics having a cotton warp—the latter being the proviso clause. The provisions covering those not containing a cotton warp fall into two brackets, according to the value of the goods; that is, whether under or over 80 cents per pound. Upon those valued at less than 80 cents per pound the rate is 40 cents per pound plus 50 per cent ad valorem. Upon those valued at more than 80 cents per pound the rate is 49 cents per pound and 50 per cent ad valorem. On the cotton-warp goods—proviso clause—the duty is 39 cents per pound and 50 per cent ad valorem.

The compensatory duty of 49 cents per pound in the second bracket is based upon the Tariff Board's computations relating to compensatory duties upon clothing, which indicate that upon an all-wool cloth the wastage in manufacture is such that, after the value of the waste is credited, there is required about 150 per cent of the clean-content duty to serve as the compensatory on cloth. Thus, with a duty of 33 cents on the clean wool, about 49 cents would be required on the cloth. The assumption here is that any cloth which is valued at more than 80 cents per pound is likely to contain nothing but virgin wool.

In the first bracket the compensatory duty has been fixed at 40 cents rather than at 49 cents per pound, because it has been assumed that fabrics valued at less than 80 cents per pound contain substantial proportion of substitutes for virgin wool. This is presumably an estimated allowance only.

The situation respecting the compensatory duty of 39 cents per pound on cotton-warp dress goods is similar to that in the case of lower valued all-wool fabrics; that is, since the fabric is composed in part of cotton (upon which no compensatory duty is necessary, or if it be of long-staple cotton upon which the compensatory required would be much less than in the case of wool) it is assumed that 39 cents per pound will provide adequate compensation to the manufacturer.

COMPARISON OF THE SENATE PROTECTIVE RATES WITH THE HOUSE RATES.

While no exact comparison can be made because of the difference in the basis of valuation used in the two texts, it is practically certain that the protective rates in the Senate bill constitute a distinct increase over those in the House text. For example, when the $1.25 per pound value used as an upper limit of the first bracket in the House text was converted from the American valuation, upon which it was based, to the foreign valuation basis for the Senate text, it was reduced to 80 cents per pound; that is to say, by 36 per cent. At the same time the protective rate was increased from 22 per cent in the House text to 50 per cent in the Senate text—in other words, by 127 per cent. To have maintained the same relationship between the protective rates in the two texts as was set up for the valuation bracket it would have been necessary to impose a duty of only about 35 per cent on these goods. Likewise upon the higher bracket the rate was raised from 27½ per cent in the American valuation to 50 per cent foreign valuation in the Senate text. On cotton-warp goods the change was from 22 per cent to 27½ per cent—according to value—in the House text to 50 per cent in the new Senate amendment.

It is pertinent to inquire what facts and information the Senate committee had before them that the House committee did not possess which justified them in increasing the protective rate so excessively.

To what extent these high compensatory and protective duties will burden the consumers can be illustrated by the rate fixed upon cloth valued at 80 cents per pound. Adding the 49 cents per pound compensatory duty and the 50 per cent ad valorem protective duty, it is easily seen that the price of the 80-cent wool cloth will be increased to the consumer by about 100 per cent if the duties are effective, of course. In other words, foreign cloth worth 80 cents per pound will, by reason of these duties, be sold to the consumer in America at 80 cents more.

To put it another way, it means the purchasers of ladies' dress goods which cost in the foreign market 80 cents per pound will pay in America $1.60 per pound, which would include the duty imposed on this material. On an average of 4 yards to the pound this would mean that ladies' dress goods bought in America and made abroad would be advanced about 41 cents per yard, in addition to which would have to be added, of course, exchange rates, cartage, insurance, and so forth. On an average of 5 yards to the pound, it would amount to about 35 cents per yard.

On woven cloth valued at $2 per pound in England—16-ounce cloth, 1 yard to the pound, which really falls in paragraph 1109 of this bill—the duty would be 49 cents per pound, equaling 24½ per cent ad valorem and 50 per cent ad valorem protective duty, making a total duty of 74½ per cent ad valorem on foreign valuation, which would mean a tariff tax of about $1.50 on cloth valued at $2.

Mr. POMERENE. Mr. President, the Senator has just said that the reason for this differential lies in the fact that these goods contain a certain percentage of cotton. Is the Senator able to gather information as to what that percentage is, approximately?

Mr. WALSH of Massachusetts. It averages about 25 per cent. So we will bear in mind in the discussion of this paragraph that we are dealing with fabrics which have a cotton warp; that means fabrics which have about 25 per cent of cotton in them, and also fabrics without a cotton warp.

Mr. NELSON. Mr. President, if the Senator from Massachusetts will yield to me——

Mr. WALSH of Massachusetts. Certainly.

Mr. NELSON. I have not said anything before on the tariff bill, but if the Senator from Massachusetts does not mind being interrupted a moment, I shall address my remarke to the Senator from Utah. The pending amendment reads, in part, as follows:

> Woven fabrics, weighing not more than 4 ounces per square yard, wholly or in chief value of wool, valued at not more than 80 cents per pound, 40 cents per pound and 50 per cent ad valorem.

The duty amounts to 100 per cent on woolen goods. The people in my part of the country, and we live in a cold region, have to buy woolen goods for clothing, and this means that we shall have to pay a duty of 100 per cent on woolen clothing. I think it is an outrageous proposition.

Mr. SMOOT. Of course 40 cents and 50 per cent ad valorem are proposed here, but I doubt if there is any 80 cent goods coming into the country.

Mr. NELSON. It amounts to this, I want to say, that if a yard of cloth comes in here and the export price is $5 a yard it will cost $10 a yard before it gets through the customhouse.

Mr. SMOOT. No; the Senator is wrong there, because if it costs $5——

Mr. NELSON. The duty is then 100 per cent.

Mr. SMOOT. Oh, no; I will say to the Senator.

Mr. NELSON. Yes, let me read it. Here are the figures. It is provided that where the fabric is valued at not more than 80 cents a pound, the duty shall be 40 cents a pound and 50 per cent ad valorem. Fifty per cent of 80 cents is 40 cents, and adding 40 cents to that 40 cents makes 80 cents, exactly what the article costs.

Mr. SMOOT. Let me figure it out to the Senator the way it really is.

Mr. NELSON. If that is the kind of tariff it is proposed to inflict on the American people, we want to know it.

Mr. SMOOT. I will say to the Senator that if that cloth costs $5 a yard the duty would be 40 cents on the $5, which would be just 8 per cent. Eight per cent and 50 per cent are 58 per cent, and not 100 per cent on $5 cloth.

Mr. NELSON. I am referring to the language of the bill. Can the Senator figure out anything else from that language? The language is "40 cents per pound and 50 per cent ad valorem.' If the cloth is not worth more than 80 cents a pound, the duty is 40 cents specific and 50 per cent ad valorem. Those two added together make 80 cents, and is not that 100 per cent of 80 cents?

Mr. SMOOT. Yes; but the Senator——

Mr. NELSON. Can the Senator make anything else out of those figures?

Mr. SMOOT. Yes; I can, and I did from the example the Senator stated, showing it was 58 per cent. That is all it could be. It is true that if the value is not more than 80 cents a pound, it would take exactly 80 cents, as the Senator

has stated. Fifty per cent of the 80 cents would be 40 cents, and that added to the 40 cents would be 80 cents. There is no doubt about it on that particular kind of cloth.

Mr. NELSON. Are not the people entitled to that particular kind of cloth without paying 100 per cent duty on it?

Mr. SMOOT. Yes; if there was such a thing coming into the country. But let me say to the Senator that the 40 cents per pound is a compensatory duty given upon the wool. If we were going to have free wool, then we could cut out the 40 cents a pound.

Mr. NELSON. The 40 cents is not a compensatory duty.

Mr. SMOOT. Certainly it is.

Mr. NELSON. It is more than compensatory.

Mr. SMOOT. No; it is not.

Mr. NELSON. The Senate has fixed a rate of duty of 33 cents a pound on scoured wool.

Mr. SMOOT. Yes; that is right.

Mr. NELSON. There is not a pound of scoured wool in a pound of cloth.

Mr. SMOOT. Then they do not get the 40 cents. It is only 40 cents a pound.

Mr. NELSON. They have to pay 40 cents as provided in the amendment, and in addition to that 50 per cent. I never heard of such an unconscionable duty in my life.

Mr. SMOOT. Let us get at it right. The Senator wants to be fair, I know.

Mr. NELSON. Then the Senator should be fair to the American people——

Mr. SMOOT. That is what I want to be.

Mr. NELSON. And not so exceedingly fair to the woolen manufacturers.

Mr. SMOOT. The woolen manufacturer is getting just 50 per cent duty. That is all he is getting and no more. These are light-weight goods. The Senator said 33 cents on scoured wool is the duty, and that is true, but he can not take a pound of scoured wool and make a pound of cloth from it. It is impossible to do that. There is a waste every time the wool is handled, and in the pending paragraph we have allowed 7 cents for waste. The Tariff Commission says on all woolen goods there is 50 per cent——

Mr. NELSON. But there is a great deal more waste to the poor devil who has to buy the cloth or who has to buy a coat and pay 100 per cent ad valorem duty on it. What about that waste?

Mr. SMOOT. Then the Senator ought to have free wool. If we had free wool, the 40 cents a pound proposed here would come out, but as long as we have 33 cents duty on scoured wool we have to give this compensatory duty. The manufacturer does not make one penny out of it. There is not a penny of protection in that to him. The only protection that he has is the 50 per cent ad valorem. That is his protective tariff. The other 40 cents is for the duty upon the wool, and, as I said, there is not a penny gained in the 40 cents duty.

Mr. NELSON. I am very glad to find out how the Senator from Utah justifies that enormity of a tariff on the woolen cloth that we all have to wear.

Mr. SMOOT. I think the Senator voted for the duty on wool, did he not?

Mr. NELSON. I voted for the amendment of the Senator from Wisconsin [Mr. LENROOT].

Mr. SMOOT. That proposed a duty on wool.

Mr. NELSON. Yes; but that was not such a duty as this.

Mr. SMOOT. The amendment of the Senator from Wisconsin did not affect these very goods at all. These are light-weight goods under 4 ounces per square yard. They are all dress goods. The amendment of the Senator from Wisconsin imposed a duty on coarse wools that never can be made into these goods at all, and they were given 33 cents a pound under the amendment of the Senator from Wisconsin. The Senator from Minnesota certainly does not want to vote 33 cents a pound duty on wool and then say that the manufacturer shall not have a compensatory duty. That is the situation, and I knew if he understood it——

Mr. NELSON. In some way it has been fixed so that on the cloth that we buy, that we can all afford to wear—and when I say "we" I mean the common people of the country—we have to pay a 100 per cent duty, unless the Senator takes the theory that the common people have no business to wear that kind of cloth, and would remit us back to cloth made from carpet wool.

Mr. SMOOT. I have stated what the Senate has done. It has voted a duty of 33 cents a pound on scoured wool. These are lightweight goods, none of them over 4 ounces to the yard. They are dress goods, with the exception of the last provision as to cotton warp, and those are for linings; they are nearly all linings. We have said there should be 33 cents a pound upon scoured wool, and upon this bracket we have given a compensatory duty of 40 cents for that 33 cents on scoured wool, which the Senator from Massachusetts [Mr. WALSH] himself will say is not an exorbitant compensatory rate of duty. I am speaking now of the 33 cents duty on wool. I think no one who knows anything about it will question that.

Mr. NELSON. I want to say in all Christian spirit to the Senator from Utah that I shall be ashamed to go back to the people of Minnesota and tell them that we have enacted a law providing a duty of 100 per cent on the cloth they and I must buy and wear, cloth that we have to wear in the winter. We shall have to pay 100 per cent duty on it under this provision.

Mr. SMOOT. All I can say is to repeat that if we want a duty upon wool of 33 cents a pound, we must give a compensatory duty upon the cloth. The Senator must admit that. We can not get around that. In the bill there is no paragraph relating to fabrics where the manufacturer gets more than a 50 per cent duty. This is the highest protective duty upon woven fabrics that there is in the bill. All the compensatory duties come from the fact that there is a duty of 33 cents a pound on scoured wool. That is all there is to it. Those are the facts in the case.

Mr. POMERENE. Mr. President, will the Senator from Massachusetts yield to me for a moment?

Mr. WALSH of Massachusetts. Certainly.

Mr. POMERENE. The Senator from Minnesota has put a very pertinent question to the Senator from Utah. According to the judgment of the Senator from Minnesota, the duty here is about 100 per cent. I know that the Senator from Massachusetts has had the constant aid of experts from the Tariff Commission on the subject, and in the interest of certainty I would like to ask the Senator from Massachusetts what the duty is going to be. What information has he been able to gather, if any, from the Tariff Commission or other experts on the subject?

Mr. WALSH of Massachusetts. I have several tables which give in different ways the information desired by the Senator from Ohio and which confirm what the Senator from Minnesota has stated.

Mr. SMOOT. The Senator does not understand that I deny that 40 cents a pound on an 80-cent piece of cloth and 50 per cent ad valorem added to that make 100 per cent?

Mr. WALSH of Massachusetts. I did not understand the Senator to deny that.

Mr. SMOOT. What I said is that the 40 cents a pound is a compensatory duty, and the Senator from Massachusetts knows that if we are going to have 33 cents a pound on wool, the manufacturers must have a compensatory duty.

Mr. WALSH of Massachusetts. There is no doubt of the fact that we have to have a compensatory duty. It is because the duty was proposed to be levied on yesterday that the compensatory duty here has to be so high.

Mr. SMOOT. That is what I have said.

Mr. LODGE. Mr. President, if I may make a suggestion, the only proposition here is to give the manufacturer 50 per cent.

Mr. WALSH of Massachusetts. Yes.

Mr. SMOOT. The Senator will admit there is not a piece of that fabric referred to in the bill, in the amendment I have submitted, carrying a protective duty of over 50 per cent.

Mr. WALSH of Massachusetts. That is true.

Mr. SMOOT. That is all there is to it.

Mr. WALSH of Massachusetts. But the Senator from Minnesota was translating these duties into ad valorem duties and basing it upon the fact that both together, the compensatory duty and the protective duty, show that the American people will have to pay 100 per cent higher price for their dress goods than they would if wool was on the free list and there was no protective duty.

Mr. SMOOT. If cloth was free and if wool was free, then there would be a difference of 100 per cent. But 50 per cent of the 100 per cent is for the wool and 50 per cent for protective purposes. The Underwood law, with free wool, imposed a duty upon these cloths of 35 per cent.

Mr. WALSH of Massachusetts. Fifty per cent for the woolgrower and 50 per cent for the manufacturer. The American public must pay $2 instead of $1, or the equivalent of 50 cents to the woolgrower and 50 cents to the manufacturer. That is how the price has increased.

Mr. McCUMBER. The manufacturer gets a duty simply of 15 cents more than he had under the Underwood law.

Mr. SMOOT. Yes; I wanted to say to the Senator from Minnesota that the only difference between the protection in this paragraph and that in the Underwood law, so far as the manufacturer is concerned, is 15 per cent.

Mr. NELSON. I do not care what the difference is. I do not care about this sublime argument about compensatory duty, nor do I care about some other refinements here. I only know that this paragraph fixes a duty of 100 per cent on woolen goods that we all have got to wear. I say that is an outrageous duty.

Mr. SMOOT. I say 50 per cent of that is for protection to the manufacturer who makes the cloth, and the other is for a compensatory duty because of the duty that was placed upon scoured wool.

Mr. STANLEY. Mr. President——

The PRESIDING OFFICER (Mr. McNARY in the chair). Does the Senator from Massachusetts yield to the Senator from Kentucky?

Mr. WALSH of Massachusetts. I yield.

Mr. STANLEY. I did not understand the Senator from Massachusetts to state that the compensatory duty of 40 cents, or whatever it is, is the limit of the amount that the purchaser of the cloth will have to pay as a result of the imposition of that duty. As I understand, wherever this duty attaches the man who pays it will pass it on with his added profits so that when the purchaser buys the cloth he will pay the duty upon the raw wool, the duty on the scoured wool, the duty on the tops and noils, the compensatory duty, and a fair profit to every man who advanced the money from the initial stage until the completed fabric is turned over by the retailer to the ultimate consumer. Is that true?

Mr. WALSH of Massachusetts. The Senator states the fact, as I understand it.

Mr. SMOOT. Mr. President, I wish to say to the Senator from Kentucky that in the past, and it is so to-day, to the woolen mills it is not so much a question of what the price of a fabric is per yard but of the number of yards they can produce in a year. If a woolen mill figures on a profit of 10 cents a yard, it does not make any difference whether the cost of the fabric is $2 or $1, it makes 10 cents a yard. It is for that and to that end it is working. It is not a question with the mill as to whether wool is free or dutiable. The looms in the mill can turn out just as many yards with dutiable wool as they can with free wool. The profits of the woolen mill are upon the yardage and not upon the cost per yard of the goods.

Mr. WALSH of Massachusetts. Now, to answer the question of the Senator from Kentucky [Mr. STANLEY], the proposed duties mean just this: When a pound of dress goods arrives at the customhouse and its foreign valuation is under 80 cents a pound the customs officials say, "You must pay 40 cents duty for the wool in that pound of cloth and you must also pay 50 per cent protective duty," which together amount to 100 per cent, so that the price of that 80 cents' worth of English cloth before it may be taken away from the customhouse is fixed at $1.60. Does the Senator from Kentucky now understand the operation of these proposed duties?

Mr. STANLEY. I understand.

Mr. WALSH of Massachusetts. The importer sells to the jobber, the jobber sells to the retailer, and the price, of course, is pyramided.

Mr. STANLEY. I think the Senator from Utah [Mr. SMOOT] misapprehended the purpose of the question which I asked.

Mr. SMOOT. The Senator from Kentucky said a profit was added all the way from the raw wool to the noils, the waste wool, the yarn, and so forth. That was stated in the Goldman letter, which no doubt led the Senator from Kentucky to make the statement he did. The statement of the Senator from Kentucky would be true if the woolen mills sold upon a percentage on the cost of their production in dollars and cents, but the woolen mills charge upon the yardage which they produce. If a woolen mill has 100 looms everybody knows what those looms should produce in yardage in 12 months. The woolen mill manager says, "Upon that yardage I shall ask a profit of so much a yard." That is all there is to it.

Mr. STANLEY. Whether it be a woolen manufacturer or anybody else, I assume that whenever he invests his money, at any point in the integration of the plant, no matter where it starts, from the time the fleece is purchased until the finished fabric is produced—whenever he invests his money in a commodity which brings a certain price as the result, first, of the value of the article, and second, of the accrued duty, he is going to recoup himself for that investment with a margin of profit.

Mr. SMOOT. With a merchant that is always the case, but with a woolen manufacturer, I repeat, it is a question of the yardage which the looms can turn out. The manufacturer knows what his profits have got to be per yard, and those, I will say to the Senator, are always figured by the woolen mill.

Mr. STANLEY. I can readily see that; but that is a mere matter of bookkeeping, is it not?

Mr. SMOOT. No; it is not a matter of bookkeeping.

Mr. STANLEY. Is the mill owner not bound to get back the money that he put into the wool plus the amount that he paid to convert it into a fabric, plus a profit?

Mr. SMOOT. But the profit we are speaking of here is so much per yard for all the fabrics his looms produce. With a merchant it is different. The merchant charges a certain profit upon the goods that he buys, but the woolen manufacturer reckons merely a profit of so much per yard.

For instance, a woolen mill makes a heavyweight tricot and a lightweight tricot. The heavyweight tricot is for the winter season and the light tricot is for the summer season. No woolen mill charges more per yard as a profit on the heavy tricot than it does upon the light tricot, although the heavy tricot costs more to manufacture. The mill takes its orders nearly six or eight months before ever the cloth is made; many times, in fact, practically always, even before all of the wool is bought which is to go into the cloth. The woolen mills figure that if they have 100 looms and their capital is so much, then they have got to make so much profit a yard upon those goods, whether they be heavyweights or whether they be lightweights, in order to pay their dividends as they anticipate. That is all there is to it. In the case of a merchant, I repeat, it is quite different.

Mr. STANLEY. I see that; but suppose we were running a woolen mill and we wanted to make a profit, say, on the yard. Of course, if it costs $1 a yard to produce the cloth, and if there are so many thousand yards produced, we would want to sell that cloth, say, for $1.20 a yard. I can readily see that. However, in estimating that 20 cents, or whatever the profit may be, we would count all the overhead charges in the cost of the cloth; we would count the deterioration of the plant; we would count the interest on the money invested; we would count the amount paid for labor, and so forth, would we not?

Mr. SMOOT. That is, in the cost of the cloth.

Mr. STANLEY. I do not care where it comes in.

Mr. SMOOT. That is the only difference between the woolen mill and the general merchant, so far as that feature of the business is concerned.

Mr. STANLEY. Exactly. I do not care where it comes in; it is a difference, after all, if the Senator will pardon me, in the bookkeeping, because, as the Senator has stated it, the woolen manufacturer is bound, if he is a good business man, to charge in his overhead; he is bound to charge interest on the money which he invests, and necessarily so, whether he invests it in his mill, or whether he invests it in his machinery, or whether he invests it in his material. That is where this pyramiding will infallibly come in, and it does not matter whether he charges so much a yard, or whether he charges so much a pound, or whether his charges are based upon the cost of conversion or the cost of his material; in the end he is not going to invest money without he gets that money back, with a fair return.

Mr. SMOOT. The important consideration to the woolen mills is the number of yards produced. In 1893, when prices were lower than were ever known, a woolen mill did not think of making less per yard than it did when the prices were exceedingly high. It is the yardage that counts, I will say to the Senator. That is the only business of which I know which is conducted in that way.

Mr. POMERENE. Mr. President——

Mr. STANLEY. If the Senator from Ohio will pardon me, my purpose was not to go into a detailed argument as to the method of calculation, but to indicate that the intricacies of this schedule and the accumulating costs are but another evidence of the inherent vice that is found, not only in this schedule but in all the schedules of this bill, in attempting to impose duties from the bottom to the top, and then, by a system of guesses and intricate and double-twisted calculations, to put another duty on this duty and another duty on that duty, and to build it up with a constantly growing weight upon the consumer. I am perfectly willing to admit that when a duty of 30 or 40 cents a pound is imposed on wool, unless that is made good to the woolen manufacturer, his mill would have to be closed. It would be eminently unfair to the American manufacturer, especially to the woolen manufacturer, to ask him to compete on any other basis.

I am of the opinion that if we had free wool in this country and free wool in the world, so that all woolen manufacturers were put on an even basis, yet—and in this respect woolen manufacture is different from any other business—the American woolen manufacturer would be at more or less of a disadvantage as compared to the English manufacturer. The wool puller of England, as I understand, has been at that business for thousands of years, and I doubt if there are in this country, so far as the finer cloths are concerned, as expert manufacturers as there are in Great Britain.

Mr. SMOOT. There is one concern in New Jersey that makes just as fine goods as are made in the world.

Mr. STANLEY. But, as a rule, the foreign fabrics are perhaps better. At any rate, there are more expert weavers in England, for instance, than there are in the United States. Opposed as I am to the principle of protectionism, I would never favor putting a duty on wool and leaving the manufacturer to pay it, because he could not do so; it would close his mill. When a duty of 33 cents a pound is imposed on raw wool in this way—and it is more or less of a guess—it becomes necessary to adopt the whole pernicious system. It is contrary to every principle of sound business; it is contrary to every principle of political economy; it is contrary to every principle of common sense as well as to the principles of democracy to initiate a policy of this kind. The wool schedule simply illustrates the absurdity and the folly of it.

Mr. SMOOT. Mr. President, there is no difference in principle, so far as the duty upon wool is concerned, between this bill and the existing law; not a particle. The existing law starts with a duty of 8 per cent on tops, instead of 20; then, when it comes to yarn, there is a duty of from 20 per cent to 25 per cent; and then, when it comes to cloth, there is a duty of 35 per cent.

The same principle has been applied in every tariff bill that has ever been written. In other words, there is a higher rate of duty imposed upon the finished product than upon the product in any partial stage of manufacture. That can not be avoided. It may be called pyramiding by some, but it is the only way that the tariff can be arranged.

Mr. STANLEY. I admit that the complicated and burdensome system is inevitable whenever the policy is adopted of a duty upon the raw material.

Mr. SMOOT. Or on intermediates of any kind.

Mr. STANLEY. Yes.

Mr. SMOOT. The Senator's policy would be——

Mr. STANLEY. But I want to say that whenever the duty is graduated from the bottom up the worse the situation becomes. When the duty is imposed on the finished product there is an opportunity for the beneficiaries of that duty from the ground up to share it, but when the duty is imposed on the product at the bottom it is going to be pyramided in spite of all that can be done, and by the time it gets to the ultimate consumer we have a monstrosity.

Mr. SMOOT. Mr. President, in every tariff bill which has ever been written, if a duty is levied on the raw product at all, the rate or percentage of duty is lower than is provided when the article advances through the stages of the manufacture. At every stage of advancement the product carries a higher rate of duty. That is true no matter whether it be the tariff law of Canada or England or any other country, and that is the only way in which a tariff law can be framed. It makes no difference whether the measure be a protective tariff or a revenue tariff, progressive rates have got to be applied.

Mr. STANLEY. As I understand that, whenever a duty is imposed anywhere in the process of manufacture it is just like a snowball on the side of a hill. The farther the ball rolls the larger it gets; and if it rolls from the hide of the animal, if it rolls from the fleece on the sheep, if it rolls from the chemical ingredients in a piece of refractory brick, if it rolls from the coke and coal and ore in the case of steel, you are going to have just what you have here. When you get through you are going to have a duty that may well call for the astonishment and the reprobation of the Senator from Minnesota and of everybody else who stops to consider it.

Mr. POMERENE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from Ohio?

Mr. WALSH of Massachusetts. I yield.

Mr. POMERENE. It would seem from the statement made by the Senator from Minnesota [Mr. NELSON], which, as I understand, is admitted to be correct by the Senator from Massachusetts——

Mr. WALSH of Massachusetts. There is no doubt about it.

Mr. POMERENE. That the duties provided for in this section, all told, add 100 per cent to the cost of the cloth. I want to put that, if I can, in a form that will be intelligible to the men and women of this country who do not have the time to study the intricacies of a tariff bill, and if I am right I should like the Senator from Massachusetts so to say.

Reduced to its final analysis, it has developed here in the course of this debate that if there were no duty on wool and no duty on the finished cloth, and a yard of cloth thus made out of free wool and without any tariff on the finished product were worth $1, then if these duties on the raw wool and those which are provided for in this section are added that yard of cloth would cost $2.

Mr. WALSH of Massachusetts. Absolutely. Nobody can question that.

Mr. POMERENE. In other words, it costs 65 cents per yard more than would the same cloth under the same circumstances under the Underwood bill.

Mr. WALSH of Massachusetts. Yes. The Underwood protective tariff was but 35 cents. There was no compensatory duty. Therefore under the Underwood tariff the duty on cloth valued at $1 would be 35 cents, and under this bill the duty on cloth valued at $1 would be $1.

Mr. POMERENE. So that, assuming that there are 3½ yards of cloth in a suit of clothes, and not taking into account trimmings or anything of that sort, the initial cost of the cloth to the merchant tailor will be three and one-half times 65 cents, or $2.27½ more than it would be under the Underwood law.

Mr. WALSH of Massachusetts. That is correct. The Senator has very plainly and clearly stated the effect upon the price to the consumer through the levying of these duties.

To come back to the table that I was about to discuss, I am going now to take different grades of dress goods that fall within the different brackets in this paragraph, apply the compensatory and the protective duties proposed to be levied under the Senate amendment, and translate them into equivalent ad valorem duties. Let us begin with the lowest bracket.

In the case of cloth valued at 80 cents per pound the Senate bill levies a compensatory duty of 40 cents per pound upon that 80-cent cloth, and a protective duty of 50 per cent ad valorem. That is equivalent to an ad valorem duty of 100 per cent upon the 80-cent cloth.

In the case of cloth valued at 81 cents—just over the 80-cent bracket, in the second bracket—there is a compensatory duty under this amendment of 49 cents and a protective duty of 50 per cent, or an equivalent ad valorem duty of 110½ per cent.

In the case of cloth valued at $1, the compensatory duty is 49 cents and the protective duty 50 per cent, or an equivalent ad valorem duty of 99 per cent.

In the case of cloth valued at $2, the compensatory duty is 49 cents and the protective duty 50 per cent, or an equivalent ad valorem duty of 74½ per cent.

I call attention especially to what has been said before, that these duties upon the cheaper dress goods are very much higher than those upon the more expensive goods.

Translating these duties into equivalent ad valorem rates, the table which I have just read from shows that the cheaper dress goods bear ad valorem duties of 100 and 110½ per cent, while the dress goods valued at $2 bear an equivalent ad valorem duty of 74½ per cent.

Now let us take the cotton-warp dress goods.

In the case of those falling in the first bracket, of the value of 60 cents per pound, the compensatory duty is 39 cents, the protective duty 50 per cent, the equivalent ad valorem duty 115 per cent.

In the case of cloths valued at 80 cents a pound, the compensatory duty is 39 cents, the protective duty 50 per cent, the equivalent ad valorem duty 98¾ per cent.

In the case of cloths valued at $1 per pound, the compensatory duty is 39 cents, the protective duty 50 per cent, the equivalent ad valorem duty 89 per cent.

You see the drop there from 115 per cent ad valorem duty in the case of the cheaper dress goods to 89 per cent in the case of the more expensive dress goods.

As against all of these ad valorem duties, ranging from 74½ per cent to 115 per cent, we have the Underwood law with simply an ad valorem duty of 35 per cent.

Let us work that out. Let us take the case of dress goods valued at $2 per pound.

The duty on a pound of dress goods valued at $2, when the proposed duties become effective, will be 74½ per cent of the $2, so that the price of that $2 piece of cloth will be increased approximately $1.49 per pound by the levying of these duties, so that the $2-a-yard foreign-valuation cloth the moment it leaves the customhouse office in New York or any other port will represent to the American jobber a cost of $3.49.

Now, let us take the Underwood law, and see what that cloth valued at $2 per pound would be taxed. The foreign valuation is $2. There is a protective duty under the Underwood law of 35 per cent, and no compensatory duty. Therefore that cloth would bear a duty of 70 cents, and would represent $2.70 per pound in value to the importer or to the jobber, while under this bill the same piece of cloth will stand the importer or the jobber $3.49 per pound.

In other words, the duties upon all of these cloths under the Underwood law would be about 65 per cent less than it is proposed to levy in this bill; but I want to pass now from the question of costs for the moment. I am going to return to that

question later, because I have the prices of some English dress goods and the prices of American-made dress goods, and I am going to compare those prices, and the price comparisons will show that this protective duty of 60 per cent can not be justified.

Before I come to that, however, I want to make some comparison between the duties proposed to be levied in this amendment and those levied in the emergency law.

The emergency law levied a compensatory duty of 45 cents per pound on all wool manufactures. The framers of that law made no distinction between the compensatory duty upon tops, which is the first step in the manufacturing process of converting wool into cloth, and yarns or cloths; but levied a sweeping compensatory duty of 45 cents.

The protective duty in the Underwood law, which also continues in operation, is 35 per cent. That this compensatory duty of 45 cents per pound, plus the Underwood rate of 35 per cent on the main class of goods, namely, dress goods, constituted a formidable barrier to importations is shown by the fact that importations declined from a monthly average of from 125,000 to 150,000 pounds prior to the enactment of the emergency law to from one-third to one-half of this quantity since the passage of the emergency law.

Mr. STANLEY. Mr. President, it occurs to me to suggest right here that were it not for the 33-cent duty on the raw material, the compensatory duty would in fact be only about half as much. If it were not for this duty on wool, the duty would amount to practically only half as much to the consumer. The compensatory duty is doubled by the imposition of the specific duty. Is not that correct?

Mr. WALSH of Massachusetts. The Senator is correct. Now I am going to give some information about those imports, because I am going to ask the question, How can you justify increasing the protective duties when imports have decreased under lower rates?

The importations declined from a monthly average of 125,150,000 pounds prior to the enactment of the emergency law to from one-half to one-third of that quantity since the passage of that law.

With the decline in the importation of dress goods under a lower rate, how can we justify this increased rate? Indeed, there have never been any considerable amount of importations of dress goods into this country. The protective duties levied in the Payne-Aldrich law and those levied in all other laws, including the Underwood law, have kept out all dress goods, excepting fancy goods, such as the people who want to keep up with the styles in English clothing will import regardless of the duty.

Mr. SIMMONS. Mr. President, the Senator states that there are practically no importations of this cloth. I think an increase in duty under such circumstances is full of suspicious import, to say the least.

Mr. WALSH of Massachusetts. Except cloths of a special character not made in this country. There are no importations of consequence which compete with anybody.

Mr. SIMMONS. It has developed very frequently in these discussions that there were no importations, and it was proposed, even under those conditions, to greatly increase the protective rates. The answer has been made more than once, and it was made before the committee when we were holding general hearings, that under those conditions, if there are no imports, an increase in the duty can do no harm. I want to ask the Senator what he thinks of that proposition?

Mr. WALSH of Massachusetts. I am very well aware of the fact that that claim has been made repeatedly.

Mr. SIMMONS. I did not try to answer the question myself. I wanted to see what the Senator would say.

Mr. WALSH of Massachusetts. Being a pupil in the able Senator's tariff school, I am very happy to answer his question. But I know it will not begin to be as clearly or as ably answered as the Senator from North Carolina would answer it. I am very proud to be a pupil and to sit at the feet of the distinguished Senator from North Carolina to learn the problems growing out of tariff legislation. There is no abler man in this country, in my opinion, no man possessed of more knowledge of tariff questions than the Senator from North Carolina. He can express more clearly, and he has a better conception of the rights of the producer, of the manufacturer, and of the consumer than any man I know of. I do not except the able Senator from Alabama. I have been delighted and proud to be associated with a man who has such sound and just and fair views upon the tariff question as the Senator from North Carolina. He has insisted upon taking a fair, square stand on all of these questions, and has always put his country and the general welfare of all first, rather than selfish interests. The Senator will pardon me for paying this tribute to him in his presence, a tribute which I have often paid him when he was not present.

Mr. SIMMONS. I think an increase in duty under the present circumstances is full of suspicious import, to say the least.

Mr. WALSH of Massachusetts. There is no doubt about it. In an industry like this, which is gradually and steadily becoming trust controlled, that is true. The price is more or less controlled. There is not a woolen manufacturer in this country who announces prices on dress goods or woolen cloths until the great combination, the American Woolen Co., first makes the announcement. That concern leads the way and dictates the price, and that trust is steadily and constantly gathering full control of the large and competitive woolen manufacturers of this country. In the last report of the American Woolen Manufacturing Co. I found that last year three great mills had been added to the combine, and I make the prediction now that before many years have passed the entire manufacture of dress goods and of woolen goods will have passed into the hands of this organization. If you study the history of high protective tariff duties, you will read side by side with that history the story of the birth, the growth, the development, and the control by trusts of the merchandise upon which high protective duties are levied. It is one of the significant things in the economic history of our country, in the history of the last 30 years, that side by side with the bestowal of high protective duties have come combines.

That is easily explained. Those men first meet for propaganda purposes. Every woolen mill in this country is part of an association. They send their representatives here to ask for these high protective tariff duties. They become friendly; they become cooperative; and they can understand and see that by eliminating domestic competition they can make these tariff duties more effective in raising prices, by the larger plant absorbing the smaller plant, and before I get through I expect to tell a story about the combinations which have gone on in the woolen business which will not be creditable to our protective and trust-controlled systems. I expect to show that we are levying protective tariff duties upon industries which are reeking with watered stock, which have made so much money out of protective duties in the past that they have expanded and profiteered without limit.

The American Woolen Co. produces 25 per cent of all the woolen cloth and dress goods produced in this country, and, of course, it is rapidly expanding. So that it has such a volume of production that it is the dictator and the leader in price announcements.

Then consider labor! Senators stand here and justify these rates and tell us that the laboring man's condition is better in this country than anywhere else, and that if we do not put these rates on, labor will have its wages cut. For every $5 that has gone to the manufacturer through protection $4 of it has gone into the pocket of the manufacturer and $1 to labor. The whole thing is a story of legalized robbery of the consumers, the American people, and labor has been asked to keep its mouth shut, even to support the system, because they have been given grudgingly a small share of the plunder, while the big share has been taken by these great manufacturing interests. I say that reluctantly, and I want to make it clear that I do not think all the manufacturing industries of this country are in that line of business, by any means. I know manufacturers who have been conducting an honest and legitimate business, but they eventually, if this keeps up, must become part of the system.

I received a letter from a manufacturer in my State to-day protesting against my vote against some of the high duties in the cotton schedule. That cotton manufacturing company during the war years distributed two stock dividends of 100 per cent each to their stockholders.

Do you wonder that there is unrest in this country? Do you wonder that there are strikes? Do you wonder that there is a tremendous movement against our present economic system, when men who toil and labor read of these excessive and extortionate profits, and realize that the recipients have gotten them largely through licenses granted by the Government to tax the consumers? Do you wonder that there is a movement in this country to check the profits and to limit the amount of money which can be made?

I have thought of drafting an amendment before I get through—and I wish the Senator from North Carolina would help me—providing that the manufacturers shall set aside all of the money which they receive through the operation of these protective duties and file with the Secretary of the Treasury a statement that they have given the great bulk of that to labor.

Mr. SIMMONS. They will have to double their wages in the majority of cases if they do it.

Mr. WALSH of Massachusetts. We ought to draft some such amendment, because their claim is that they need these duties to meet the difference in the costs of labor. So we ought to put a proviso here that this 50 per cent protective duty shall be converted by the manufacturers into the wages of the employees. If that was done they would not ask for 50 per cent. They would not want their labor to get it. These protective duties have been used for the purpose of giving a mite to the working people and putting the rest in the pockets of the corporations.

Mr. SIMMONS. Along the same line on which he is speaking now, has the Senator had his experts make any calculations as to the entire wage costs in the woolen mills with reference to the cost of production?

Mr. WALSH of Massachusetts. I asked one of the experts to prepare for me the exact conversion cost on tops. The task is very difficult, very laborious. That was prepared, and I have put it in the RECORD to-day. It shows the difference in the cost of labor and the production cost between this country and abroad is very small.

Mr. SIMMONS. That is not the idea I had in mind. I think if the Senator would have his expert make a calculation he would find that the entire labor cost in the woolen mills is not much more than half the amount of the duty.

Mr. WALSH of Massachusetts. In the case of yarn the Tariff Commission said the conversion cost is 25 to 40 per cent. The Senator states that in the case of cloth, if we could get the figures, the estimate would be about 50 per cent.

Mr. SIMMONS. I think so. The Senator has given a very lucid and illuminating statement about the tendency of the textile industry toward monopolization, toward single control. I want to ask the Senator if he does not think that the high duties lend themselves to the encouragement of monopolization?

Mr. WALSH of Massachusetts. There is no doubt about it. The wise men in a tariff-protected industry know that monopolistic control of the domestic production makes the protection levied always operative. No trust takes in companies that are failures. The American Woolen Co. is not paying for any mills that are not profitable, but it is because they can see an opportunity for them to buy a mill at one price and increase its capitalization, end competition, and control prices, that makes them form monopolies. It is the incentive to enrich themselves, to get more profits, that has led, in my opinion, to the creation of many of the large organizations.

Mr. SIMMONS. When the industry is monopolized, largely because of these high and unnecessary duties, can not the manufacturer in that condition, whether there are any importations into the country or not, take in the increased price of his product the benefit of the full duty imposed?

Mr. WALSH of Massachusetts. There is no question about that.

Mr. SIMMONS. Then that is the vice and the danger of giving increases in duties upon a product where the present duty is practically prohibitory.

Mr. WALSH of Massachusetts. I agree with the Senator.

Mr. SIMMONS. It enables the monopoly, if there is one, to take advantage, in increases of its prices, of the full amount of the additional duty that may be imposed.

Mr. WALSH of Massachusetts. I want to stop directly, because I know the distinguished Senator from North Dakota desires to move a recess.

Mr. President, these duties promote greed, greed, greed! I would be the last man knowingly to deprive a manufacturer of an honest protective duty that would represent the honest difference in conversion costs. If anyone can show me an honest difference in conversion cost, I will go as far as anybody else to protect the domestic industry, because I do not purpose to stand in the way and see the American laboring man put at a disadvantage with the foreigner. But I will not support protective duties in order to enable producers to pay dividends upon watered stock. That is what this bill will do.

Mr. President, I do not wish to proceed further this evening. I shall conclude to-morrow.

Mr. McCUMBER. Mr. President, before moving to take a recess I desire to take a moment or two to answer the Senator from Minnesota [Mr. NELSON].

Yesterday, by a vote of more than two to one, the Senate of the United States declared it to be their purpose to give the growers of wool a protective duty of 33 cents per pound upon the scoured content. Now, if we give that protective duty of 33 cents per pound upon the scoured content of the wool we must necessarily give a compensatory duty. Even the Senator from Minnesota, I think, would recognize that principle.

The Senator from Wisconsin [Mr. LENROOT] thought that upon the coarser wools that was too high a duty, and he moved an amendment to provide that the duty should not exceed 60 per cent ad valorem upon those kinds of wool. But he left the higher kinds of wool untouched by his amendment. The Senator from Minnesota [Mr. NELSON] voted with him, but the amendment was voted down.

Thereupon the Senator from New York [Mr. WADSWORTH] moved to reduce the rate of 33 cents per pound to 28 cents per pound, a reduction of 5 cents a pound. The Senator from Minnesota [Mr. NELSON] voted against that amendment. Therefore, I assume that he is in favor of 33 cents per pound on the scoured content of the wool. Now, we have to carry that 33 cents per pound upon the scoured content into whatever is made out of it, and in the making of these cloths, considering first the waste in the yarn and second the waste in the manufacture of the cloth, with the experts at our side we arrived at the conclusion that there was a loss of about 7 cents a pound, which would have to be taken into consideration, and therefore we made the duty 40 cents a pound upon the product.

Now, being compelled to give 40 cents per pound upon the cloth from which the wool was made, the next question was, What, if any, duty shall we give as protection? The conclusion of the committee was that the cost of producing on the average, not upon the American value, not upon the retail price, not upon the wholesale price in the United States, but upon the manufacturers' price in a foreign country, required a 50 per cent ad valorem duty to equalize that cost with the cost of producing in the United States. Therefore we gave a rate of 50 per cent ad valorem. Now, if anyone can establish the fact to the satisfaction of either the committee or the Senate that 50 per cent ad valorem is too high, I think we can get a reconsideration and vote for what we may consider necessary for the protection part.

If we put our compensatory duty too low, lower than that which measures the 33 cents a pound upon the scoured content and the waste in making that first into yarn and then into cloth, the cloth and the yarn will come in and the farmer is not getting his protection because the price must necessarily come down. So also if we fail to give a protective duty that will equal the difference in the cost of producing these fine grades of cloth in the foreign country and in this country, then the cloth will come in and the American manufacturer must reduce the price that he pays to the farmer and the farmer will not get his protection.

It seems to me that the position of the Senator from Minnesota is something like that of a man who orders pie from a bill of fare and then does not want to pay for it. If we eat our pie, we have to pay for it. If we give 33 cents a pound upon the scoured content of the wool, of course we have to pay for it. If it should happen upon some class of goods to be 100 per cent, based upon the foreign valuation, if that does measure the difference, then we ought not to complain because we pay that duty. If the Senator from Minnesota is not satisfied, then he should move to reduce the protection which is given to the American producer. If he is not willing to have that reduction, he is compelled by every principle of mathematics to make this allowance and carry it into the finished product.

Now, Mr. President, I move that the Senate take a recess until to-morrow at 11 o'clock a. m.

The motion was agreed to; and (at 6 o'clock and 15 minutes p. m.) the Senate took a recess until to-morrow, Friday, July 28, 1922, at 11 o'clock a. m.

SENATE.

FRIDAY, *July 28, 1922.*

(Legislative day of Thursday, April 20, 1922.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Borah	Ernst	Lenroot	Nicholson
Broussard	Gooding	Lodge	Norbeck
Bursum	Hale	McCormick	Oddie
Cameron	Harreld	McCumber	Overman
Capper	Harris	McKinley	Pepper
Caraway	Heflin	McLean	Phipps
Colt	Jones, Wash.	McNary	Pomerene
Culberson	Kellogg	Moses	Ransdell
Cummins	Kendrick	Nelson	Robinson
Curtis	Keyes	New	Sheppard
Dial	Ladd	Newberry	Shortridge